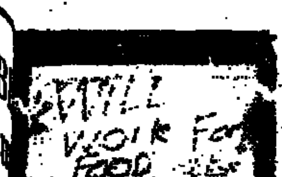

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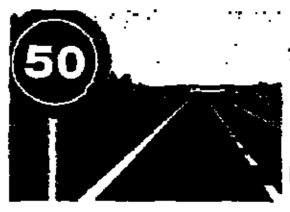

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FINANCIAL TIMES

Europe's Business Newspaper | MONDAY MARCH 14 1994 | D8523A

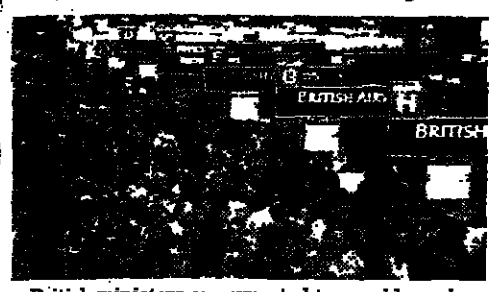
Russia takes 25% stake in Finnish gas supply venture

Russian monopoly gas company Gazprom is to take a 25 per cent stake in a joint venture with Neste, the Finnish state energy group, that will lead to a substantial increase in Russian gas exports to Finland. The deal includes a 20-year gas supply contract under which Finnish imports of Russian gas could rise to more than 4bn cubic metres a year from the present level of 2.9bn cubic metres.

Gazprom, the world's largest gas producer, has partnerships and joint ventures in Austria, Germany, France and Italy. Page 15

Defence chief quits: Britain's Chief of the Defence Staff, Sir Peter Harding, 60, resigned after allegations of an affair with the Spanish wife of former Tory defence minister Sir Antony Buck.

Army may boost UK airport security



British ministers are expected to consider using army patrols to boost security at Heathrow (above) and other British airports following the third IRA mortar attack at Heathrow in five days. Army personnel and equipment were at the London airport yesterday to help the search for further devices after the latest attack in which four mortars, fired from a heavily camouflaged launcher, failed to explode. Page 14

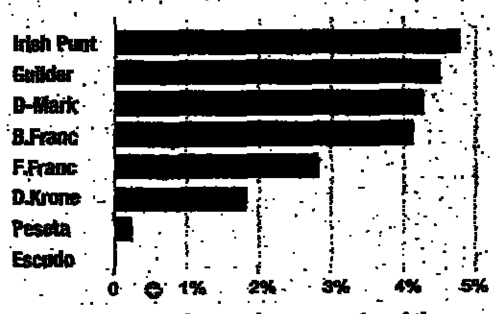
Israel bans extremist Jewish groups: Two anti-Arab Jewish groups were banned and branded as terrorist by Israel in an attempt to bring the Palestine Liberation Organisation back to the suspended Israeli-Palestinian peace talks. Page 6

Flotation may value Ashanti at £1.5bn: Preparations for the flotation of gold mining company Ashanti Gold Fields of Ghana are to be stepped up this week in London. The company is expected to be valued at up to £1.5bn ($2.2bn). Page 15

G7 ministers tackle unemployment: Finance and employment ministers from the Group of Seven leading industrial nations gathered in Detroit for a two-day session on tackling unemployment. Page 14; Further reports, Page 4; A misguided focus, Page 13

European Monetary System: The D-Mark last week climbed above the Belgian franc to third place in the EMS grid, bolstered by the slow pace of Bundesbank monetary easing and a weaker US dollar. The Portuguese escudo slipped below the Spanish peseta at the bottom end of the grid. The Irish punt remains the strongest currency, but is now only marginally ahead of the Dutch guilder. Currencies, Page 27

EMS: Grid March 11, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

South American free trade area backed: Brazil's proposal to create a South American free trade area has won the backing of Argentina, Paraguay and Uruguay, the country's three partners in Mercosur, the regional common market planned to come into effect next year. Page 5

Henkel hit by rationalisation: The costs of rationalisation measures helped depress Henkel's pre-tax profits by 7 per cent to DM375m ($218m) last year, the German chemicals, cosmetics and cleaning products group said. Page 17

Buyout planned at Radio Marconi: A group of 40 managers at Radio Marconi, Portugal's intercontinental telecommunications operator, plan a Es30bn ($170m) management buy-out. Page 17

Profits melt away: The Japanese finance ministry will lose about Y270bn ($2.5bn) on the sale of 90 tonnes of gold obtained from melting down unsold coins, issued in 1986 and 1987 to commemorate Hirohito's 60 years on the throne, because the price of gold has fallen. Page 14

Nigeria's policies 'set to fail': Nigeria's economic policies "are definitely going to fail", Kim Jaycox, World Bank vice-president for Africa, warned in the most forthright public criticism by a World Bank official since Nigeria's military government revalued the currency, the naira, in January. Page 6

Christian Democrats slip to worst result in state election for 35 years

SPD set to win Lower Saxony

By Michael Lindemann and Quentin Peel in Bonn

Germany's opposition Social Democratic party (SPD) was coasting to a clear victory in the state election in Lower Saxony last night, with Chancellor Helmut Kohl's Christian Democratic Union slipping to its worst result in the state since 1959.

Lower Saxony's vote is seen as a key indicator of Chancellor Kohl's prospects in 19 elections this year, which culminate with the general election on October 16. That will be preceded by 16 state and local authority elections, an electoral assembly for federal president in May and European elections in June.

The vote yesterday confirms the uphill struggle Mr Kohl faces if he is to win re-election, even though the SPD has yet to gain a decisive lead at a national level.

Exit polls on German television predicted the SPD would win more than 44 per cent in Germany's fourth most populous state. The CDU was forecast to win up to 36.5 per cent.

Mr Gerhard Schröder, SPD premier, expressed confidence that he would win an absolute majority in the Hanover-based Lower Saxony state parliament and be able to rule without his coalition partner, the Green party.

Mr Jürgen Trittin, the leading Green party minister in the outgoing SPD-Green coalition in Hanover, said: "This is the day the 'twilight of the chancellor' began in Bonn."

Anti-EU feeling rises in Austria..........Page 2

Yet the result amounts to less of a setback for Mr Kohl than had been feared by some party members. It may be less of a victory for the Social Democrats, who seemed unlikely to improve on the vote won in Lower Saxony in 1990, despite the Bonn government's obvious unpopularity.

The CDU did far worse in both previous local elections – in Hamburg last September, when it fell to 25 per cent support, and Brandenburg in December, when it barely won 20 per cent and fell to third place behind the former Democratic Socialist party (PDS), the former Communists.

The exit polls also suggest that protest parties, including the extreme rightwing Republicans, the non-party Statt Partei, and the now relatively well-established Greens, have not risen to the extent predicted by some political observers.

The Green party, which has been in coalition with the SPD since the last elections in 1990, was likely to win up to 7.5 per cent, a small improvement on the 5.5 per cent it won in the 1990 election.

The Free Democratic party (FDP), Chancellor Kohl's partners in the Bonn coalition, appear to have slipped a little from 6 per cent last time, and may fail to reach the 5 per cent minimum needed to win seats in the state parliament.

The Republicans were likely to win at most 4 per cent, according to the exit poll conducted by ZDF television. The Statt Partei, which caused a small sensation when it won more than 6 per cent in Hamburg last year, was forecast to get no more than 1.5 per cent this time.

Italy to fund $1bn retirement scheme at Ilva steel

By Robert Graham in Rome

The Italian government has agreed to fund an early retirement programme for 10,450 people working in Ilva, the state-controlled steel group which has been ordered by the European Union to cut production.

According to trade union representatives the deal will cost up to L1,800bn ($1.08bn) over the next three years.

This is the second time in a fortnight that the government has arranged costly early retirement packages to solve problems of industrial restructuring.

The previous agreement covered 6,600 workers at Fiat. Both have been pushed through in advance of the March 27 general elections.

"It is a costly but effective arrangement," said Mr Luigi Portioli, a union official. "The cost to the public purse will be four times that of Fiat, and at least L1,800bn will be needed over the next three years to cover all the early retirements envisaged."

Ilva, controlled by Iri, the state holding company, gave an undertaking last December to cut production by 1.2m tonnes a year, as part of an EU-wide plan to reduce steel capacity. The cuts affected 12,517 of its total workforce of 45,000, the bulk coming from the Taranto steelworks, Europe's largest steel complex.

Under the weekend agreement, early retirement covers most job losses at Taranto as well as at Ilva's Bagnoli plant, closed 18 months ago. At Taranto, many of those obtaining early retirement are workers recruited from the countryside into industrial jobs when the complex was built in the early 1970s.

The deal limits job losses through solidarity contracts - work-sharing arrangements on reduced pay and hours.

Some 1,200 jobs are being saved through 4,300 solidarity contracts. A further 1,500 will be transferred to other companies within the group and 1,000 workers will be employed in community work projects.

With the job aspect of Ilva's

Continued on Page 14
Italy's electoral reforms, Page 12

Cell phone pact lifts US threat against Tokyo

By Michiyo Nakamoto in Tokyo

Japan has narrowly averted US trade sanctions over its treatment of Motorola, a leading US cellular phone company.

A deal was reached after intense negotiations, which removes the immediate threat of sanctions against Japan over US access to its cellular phone market. But it could create an unfortunate precedent by encouraging the Japanese government to become closely involved in the affairs of private companies.

Washington, which used the case to signal its dissatisfaction with Tokyo's progress in opening its markets, was due this week to publish a list of likely targets for sanctions. The US wanted to put pressure on Japan to accept quantifiable indicators of the openness of its markets.

Last month Mr Mickey Kantor, US trade representative, brandished a Motorola cellphone as he announced the US finding that Japan had breached a bilateral agreement.

The agreement calls on the Japanese government to monitor investment by a Japanese group, IDO, in a cellular phone system promoted by Motorola. The government should also allocate more radio frequency to the US system. IDO, the Japanese cellular phone operator, agreed to quicken the pace of its investment in Motorola's system.

The Japanese government also agreed to monitor IDO's progress in implementing its plans at three-monthly intervals; to back low-interest loans from the Japan Development Bank; to allow IDO to carry out its investment and to review the situation at any time if there was a request from either party.

In a weekend radio programme, President Bill Clinton welcomed the breakthrough.

However, Japanese officials, who have emphasised the importance of deregulating domestic industry, said that such a deal was only possible in a sector where bureaucratic involvement was still strong because of the need to allocate frequencies.

Japan's Ministry of Posts and Telecommunications had sought initially to leave the dispute in the hands of the two companies.

However, US pressure, and the threat of sanctions at a time when US-Japanese relations have been fraught with difficulty, forced Tokyo to concede.

The deal calls for IDO to bring forward its investment in a further 159 base stations for the Tacs cellular phones system which is backed by Motorola, and complete that investment by the early autumn of 1995. IDO also agreed to reallocate some of its radio frequency used for a Japanese rival to Motorola's system.

The US had threatened sanctions against Japan on the grounds that a bilateral agreement to provide the US system with "comparable market access" had not been met.

Apple assault on Intel, Page 15

Change reaches the altar

The Rev Susan Shipp (above), one of the first woman priests ordained by the Church of England, celebrated communion yesterday in Bristol, as groups opposed to their ordination warned of further splits in the church. Thirty-three women were ordained on Saturday by the bishop of Bristol, the Rt Rev Barry Rogerson.

The Vatican warned of a "profound obstacle" to reunion hopes between the Catholic church and the Anglican communion. But Rt Rev Mark Santer, bishop of Birmingham, said he hoped traditionalists tempted to become Roman Catholics would find it possible to stay.

One UK government minister has already converted to Catholicism over the issue, and another has announced his intention to do so. A claim by the latter, environment secretary John Gummer, that the Church of England had turned itself into a "sect" by accepting women priests was dismissed as "incredibly insular". by the bishop of Birmingham. Many other branches of the Anglican church around the world already have women priests. Picture: Reuter

Right wing split eases threat of S Africa election boycott

By Patti Waldmeir in Johannesburg

The threat of a widespread boycott of April's all-race elections in South Africa was significantly lessened at the weekend after a split in the rightwing Freedom Alliance.

The split was provoked by the crisis in the black "homeland" of Bophuthatswana, where a Pretoria-appointed administrator yesterday took over from ousted President Lucas Mangope.

General Constand Viljoen, probably the most popular leader of right-wing Afrikaners, said at the weekend he was resigning from the umbrella right-wing group, the Afrikaner Volksfront, to lead a new moderate Afrikaner party into the poll. The party, the Freedom Front, will field candidates including members of the moderate wing of the divided ultra-right Conservative party. Mr Ferdie Hartzenberg, CP leader, and hardline Conservative members of the old white parliament still support a boycott.

Gen Viljoen's move marked a split with the neo-Nazi Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement), whose members were involved in gun battles on Friday in the streets of Bophuthatswana's twin capitals, Mmabatho and Mafikeng, in which several blacks and right wing whites were killed.

There was some confusion last night over whether Gen Viljoen might yet back out of participating in the election after his close ally Mr Rowan Cronje, foreign minister of Bophuthatswana, said the general was reconsidering his position. But the split with the AWB appeared to be permanent. As a result the paramilitary movement is isolated and increasingly discredited.

Gen Viljoen's powerful ally in the Freedom Alliance, the Zulu-based Inkatha Freedom party, said at the weekend it would not participate in elections. However Inkatha's chief negotiator, Mr Frank Mdlalose, appeared to leave a door open to participation when he said international mediation – the subject of talks with the African National Congress, likely winner of the election – might yield a positive result.

Gen Viljoen was due to meet Chief Mangosuthu Buthelezi, Inkatha leader, today for discussions which could lead to a shift in the position of one or the other party.

Although Inkatha failed to register a list of candidates by the deadline last Friday, technically disqualifying it from participating in the April poll, officials of the ANC said they would remove such obstacles to Inkatha's participation provided a settlement of the country's constitutional disputes was reached.

The third member of the Freedom Alliance, the government of Bophuthatswana, in effect ceased to exist at the weekend when a South African administrator, Mr Tjaart van der Walt, took over from Mr Mangope, who was ousted by a combination of popular protest, a civil servants' strike, a security force mutiny and the intervention of South African troops on Friday night.

At least 42 people were killed in last week's rioting as homeland residents demanded the right to participate freely in the April elections.

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

CONTENTS

EU procurement row with US set to flare

By Lionel Barber in Brussels

THE European Commission is heading for a showdown with the US over public procurement after the disclosure that the US has, in the view of Commission officials, revived efforts to woo Germany away from its European partners.

Last week the Clinton administration quietly dropped trade sanctions against Germany, apparently implementing the secret non-aggression pact which it struck with the Bonn government on telecommunications a year ago. Commission officials said yesterday that the US action appeared aimed at driving a wedge between Germany and the rest of the European Union.

The US move could trigger Commission measures against Germany if the Bonn government was shown to have failed to implement EU trade sanctions against the US. These were imposed last year as part of the long-running transatlantic dispute over public procurement.

The US action was disclosed in the daily Federal Register of US government business last Thursday, and comes ahead of a renewed effort by the Commission and the Clinton administration to resolve outstanding differences on opening public procurement markets.

The two sides have set a deadline of April 15, when leaders are due to assemble in Marrakesh to sign the Uruguay Round agreement of the General Agreement on Tariffs and Trade.

Arguments over fair access to lucrative contracts in road, rail and other public sector projects flared in the early days of the Clinton administration. But the row was defused with reciprocal market-opening measures, supported by token trade sanctions and the promise of an independent study into trade barriers. Later, however, Mr Mickey Kantor, US trade representative, reached a separate bilateral understanding with Mr Günter Rexrodt, German economics minister. Under the oral deal, Mr Rexrodt indicated that Germany would not apply Article 29 of the EU's utilities directive which gives a 3 per cent price preference to EU companies, and allows a bidder to ignore an offer if it has less than 50 per cent local content.

The German offer challenged the EU decision to impose a $15m (£10.2m) sanctions package against the US. It also appeared to contravene the Treaty of Rome, which awards sole competence to the European Commission on trade policy.

A spokesman for Sir Leon Brittan, chief EU trade negotiator, said the Commission had not initiated infringement proceedings against Germany. If Bonn was not applying the relevant public procurement legislation that would be "surprising and disappointing", he said.

Release of Brittan's book throws cat among Euro-pigeons

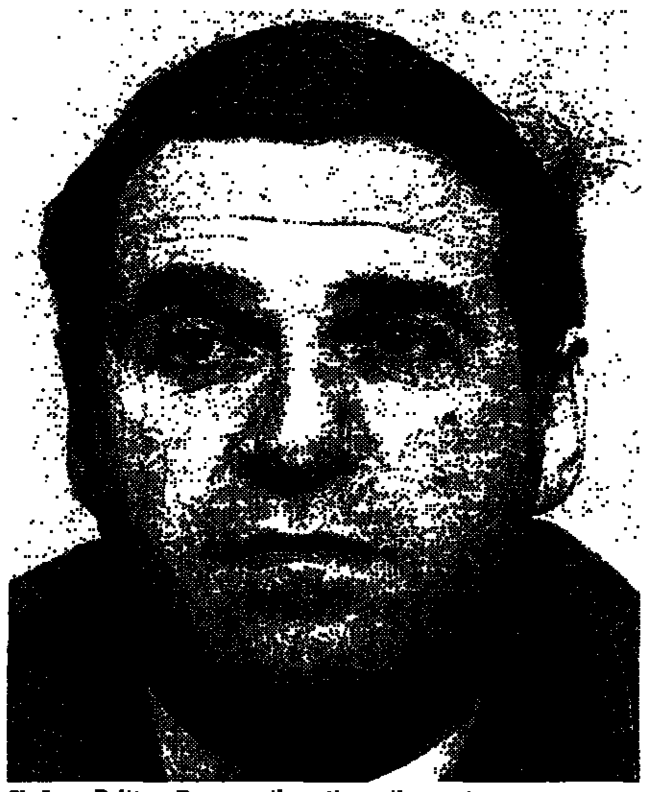
By Lionel Barber in Brussels and Philip Stephens in London

The UK government faces renewed controversy over Europe today after the premature release of a book by Sir Leon Brittan, in which the senior British commissioner calls for a wide-ranging overhaul of decision-making in an expanded European Union.

Sir Leon's views run counter to the UK's insistence on special protection for the large member states which has led to deadlock in enlargement talks with Sweden, Finland, Austria and Norway.

His proposals for institutional reform are also likely to stir up Tory Euro-sceptics worried that UK Prime Minister John Major's government may be about to drop its hard-line stand and adopt a more pro-European manifesto ahead of European Parliament elections in June.

Mr Major was warned yesterday that retreat from his insistence on maintaining the present voting system after enlargement would provoke new convulsions in the Conservative party.



Sir Leon Brittan: Proposes three-tier voting system

But with other EU states threatening to block enlargement unless the threshold for a blocking minority within the council was raised from the present 23 votes, British ministers acknowledged the dilemma.

Both Mr Major and Mr Douglas Hurd, the foreign secretary, have been adamant that the minority veto should not be diluted. The same point has been made to Conservative party managers by Eurosceptic MPs.

EU foreign ministers will attempt to rescue the enlargement talks at a meeting tomorrow in Brussels. Spanish demands for access to 7,000 tonnes of Norwegian cod appear likely to be accommodated after reports of a new offer from Oslo; but hopes of settling the row over power-sharing rest on a face-saving compromise which takes greater account of population.

Britain, supported by Spain, is pressing to maintain the present voting arrangements which allow two large nations and a smaller country to block their partners. Germany and other EU members want to raise the "blocking minority" threshold to 27 votes. One compromise under review is to increase the blocking minority to 27 votes, on condition it would not apply if countries representing more than 40 per cent of the population wanted to hold up decisions.

Mr Javier Solana, Spanish foreign minister, said in an interview with the El Pais newspaper yesterday: "I hope in the coming days we can find a formula that will satisfy our legitimate aspirations."

Friends of Sir Leon said last week that he was dismayed at the UK government's apparent willingness to jeopardise enlargement, a goal previously judged to be central to Britain's European policy.

The chief EU trade negotiator, who is a candidate to succeed Mr Jacques Delors as president of the European Commission, argues in his book that institutional reform is inevitable.

He urges the UK to prepare actively for the entry of the former communist countries of central and eastern Europe in the Union.

Sir Leon proposes the introduction of a three-tier voting system which would balance the need for accelerated decision-making without upsetting the balance between the big and smaller member states.

- The first tier would cover internal market measures, health and safety at work, farm and fisheries policies, as well as the purchase and sale of goods and services anywhere in the EU.

These measures would be subject to "low majority" voting, making it harder for countries to muster a blocking minority.

- A second tier would cover social rules and environment, as well as "exceptional trade measures" such as action against low-cost imports. This would make a majority in favour of action harder to get, though still not impossible for a single country to block.
- A third tier would cover the levying of taxes, all moves to European economic and monetary union, increasing the EU's budget, and all laws on visas and immigration.

On these matters of "core sovereignty", governments would retain their right to veto.

Sir Leon's book is part of his undeclared campaign to succeed Mr Delors.

Portugal seeks to keep veto

PM urges compromise on the dispute over power-sharing

By David Marsh, European Editor

Mr Aníbal Cavaco Silva, the Portuguese prime minister, has held out the possibility of a compromise this week to settle the power-sharing row which could prevent Austria, Finland, Sweden and Norway joining the European Union.

In an interview during a visit to London, Mr Cavaco Silva also urged Britain to rejoin the exchange rate mechanism of the European monetary system it left in September 1992.

He said he told Mr John Major, UK prime minister, in talks on Friday that the UK should rejoin the ERM "to persuade others to move in the right direction" towards economic and monetary union.

On the EU votes dispute, which pits Britain against most of its EU partners, Mr Cavaco Silva said he hoped Brussels talks starting tomorrow would agree a formula under which a minority of states could veto EU decisions in a 16-nation EU.

Most EU members want to raise the so-called "blocking minority," the threshold for blocking decisions in the EU council of ministers, to 27 votes from 23 at present. Britain and Spain, with some support from Italy, are insisting on keeping the 23-vote blocking minority unchanged to avoid being more easily outvoted in the enlarged EU.

Unless resolved, the row could scupper plans for the four members of the European Free Trade Association (Efta) to join the EU next year.

Mr Cavaco Silva said a deal could set a combination of votes and numbers of states able to block EU decisions. Since the UK government was "keen" on enlarging the EU, he did not think the UK would want the voting disagreement to hold up accession by the four Efta states.

Mr Cavaco Silva said he had agreed on Friday with Mr Major that enlargement towards the Efta states should be agreed without opening a debate on fundamental reform of EU decision-making, which looks like topping the agenda of the conference planned for 1996 to review progress of the Maastricht treaty. "It would be a mistake to open the institutional question now," he said. "This would not stabilise confidence."

Mr Cavaco Silva said it was "inevitable" that the EU was growing into a "looser" community as membership increased. "Plenty of uncertainty [about the future of the Maastricht process] has been created among the citizens of Europe. It is not the time for deepening." The EU's priority was to "consolidate" the advances it had already made in setting up the barrier-free single market and laying the groundwork for Emu, he said.

The Portuguese prime minister said he was relatively optimistic about prospects for further cuts in German interest rates, an essential condition for promoting Europe's recovery from recession.

"The attitude of the Bundesbank seems to be different from a few months ago. Perhaps the Bundesbank is not so strong as it was," he said.

Mr Cavaco Silva ruled out EU membership before 2000 by countries from central and eastern Europe.

Tapie questioned in murder probe

Mr Bernard Tapie, the politician and owner of Olympique-Marseille football club, has been questioned by police about the murder of a corruption-fighting woman MP, investigators said yesterday, Reuter reports from Marseilles.

He had been named by Mrs Yann Piat, who was shot on February 25, in a letter to an aide in which she said she feared assassination.

Mr Tapie was not immediately available for comment but last week he denied any connection, telling French television: "What now? Why don't you accuse me of being responsible for the war in Bosnia?"

The investigating judge has placed two minor Toulon underworld figures under investigation for suspected murder but made clear he believes there was a wider conspiracy, possibly including politicians.

Police have also detained four other people with underworld links for questioning in the investigation.

Mrs Piat, who began her political career in the extreme-right National Front before switching to the Union for French Democracy (UDF), earned a reputation for denouncing alleged links between organised crime, property speculation and politics on the French Riviera.

Anti-EU feeling rises in Austria

By Patrick Blum in Vienna

Opponents or critics of the European Union made gains in three elections to provincial parliaments in Austria yesterday, according to projections from early results in Carinthia, Salzburg and Tyrol.

The far-right Freedom party (FPO), led by Mr Jörg Haider, who waged a strongly nationalist campaign, and the Greens, who oppose EU membership, increased their share of the vote.

According to the projections, the two government coalition parties which strongly favour EU membership lost support, with the conservative People's Party (OVP) losing its absolute majority of seats in Tyrol and Carinthia, and the Social Democratic Party (SPO) losing votes in all three provinces.

The FPO vote in Carinthia rose by about 4.4 per cent from 29 per cent in 1989 to 33.4 per cent this time, though this will not be enough for Mr Haider to recapture the province's governorship which he lost after making remarks praising Nazi Germany's employment policies. The province has been run by a OVP-SPO coalition since then. The maverick Mr Haider has been ambivalent about the EU.

The Greens did particularly well in Tyrol, winning over 10 per cent of the vote and representation in the provincial assembly. They campaigned strongly against the government's deal with the EU on transit, a particularly sensitive issue in Tyrol.

The pro-EU Liberal Forum, is projected to have scored less than 4 per cent of the vote in the three provinces.

Austria must hold a referendum on EU membership in June.

Inflation 'to fall' in west Germany

By Christopher Parkes in Frankfurt

Inflation in western Germany is set to fall below 2 per cent, according to Mr Hans Tietmeyer, Bundesbank president.

"Expectations of stability will now be visibly fulfilled and confirmed through the continuing decline in the rate of price increases," he told Düsseldorf foreign exchange dealers at the weekend.

His confident statement, which follows anti-inflationary pay settlements last week in the engineering and public service sectors, will give support to the strengthening view among economists that the bank's 5.25 per cent discount lending rate could fall to 4 per cent or less by the year's end.

"With a February rate of 3.4 per cent we have still not reached where we ought to be: below 2 per cent. But we are on the way," Mr Tietmeyer said. Economists expect the 2 per cent barrier to be breached early next year.

German inflation has fallen below 2 per cent in only two periods in the past 35 years, in the late 1960s, and again between 1986 and 1988.

Mr Tietmeyer shrugged off recent surges in world capital market interest rates. The development stemmed from the US and Japan. "It was neither a typically German nor European phenomenon, and certainly not a result of developments in our M3," he said.

M3, the bank's favoured measure of money supply growth and potential inflation, ballooned in January with an annualised expansion rate of over 20 per cent. International markets, already rattled by fears of rising US inflation, took fright when the figure was released earlier this month.

Clinton wants talks with Scharping

By Jurek Martin in Washington

The US administration is trying to arrange an early meeting in Washington between President Bill Clinton and Mr Rudolf Scharping, the German Social Democratic party leader.

The US approach is being undertaken with the full approval of Chancellor Helmut Kohl, according to officials in Washington. He is said to accept that it is perfectly normal for the US president to meet leaders of the opposition in countries close to the US.

The heavy German election season, beginning yesterday in Lower Saxony and culminating at the national level in October, presents the US with a tricky problem of diplomatic niceties.

Mr Clinton and Mr Kohl get on well, as witnessed in their genial last session in Washington in January. In July the president will go to Germany after the summit in Naples of the Group of Seven leading industrial nations.

Beyond personal rapport, US-German co-operation over issues such as Bosnia and Russia has become extremely close, partly because of the effectiveness of Mr Richard Holbrooke, the US ambassador in Bonn. In general terms, the Clinton administration is giving as high a priority to Germany in the European context as did its predecessor.

On the other hand, the US can read German public opinion polls as well as the next country and is aware that Mr Scharping, whom Mr Clinton has never met, could be the next chancellor.

Mr Scharping also appears a politician in the Clinton image. US officials are particularly struck by his tough fiscal and budgetary policy proposals, which they see as similar to the deficit reduction plan now in effect in the US.

The SDP leader has had some recent contact with US officials. He met Mr William Perry, now defence secretary, at a conference in Germany some two months ago.

Mr Clinton will want to avoid the uncomfortable precedent set, in reverse, in the 1976 US election, when then Chancellor Helmut Schmidt's public preference for President Gerald Ford created problems for the bilateral relationship when Mr Jimmy Carter became president.

Last post for La Suisse

La Suisse, once the most popular daily newspaper in French-speaking Switzerland, brought out its final edition on Sunday after almost 96 years on the streets, Reuter reports from Geneva.

The independent Geneva daily had been hit by financial problems, including a sharp fall in advertising revenue over the past five years.

In an emotional closing edition, marked "Final" in large black letters, the paper's 400 staff pledged to continue their battle to save and relaunch the title.

Italian general elections

Focus on the centre ground

By Robert Graham

As Italy's general election enters its final two weeks, attention has switched to the large, undecided vote caused by the collapse of the traditional centrist grouping.

Polls published last week showed that neither of the two main alliances on the right and left were capable of winning an absolute parliamentary majority. This raises the spectre of the centre, composed of the reshuffled remnants of the five parties that have governed post-war Italy, acting as arbiters in the formation of the next government.

The polls, the last permitted before the election on March 27, also suggested that the momentum had slowed behind media magnate Silvio Berlusconi's Forza Italia movement.

Mr Berlusconi himself suffered embarrassment over the weekend after his younger brother Paolo admitted he had paid L1.3bn (£520,000) to Socialist and Communist local councillors to secure a golf club development at Basiglio near Milan. In connection with these payments, Milan magistrates searched the home of Mr Alessandro Moneta, a former mayor of Basiglio and currently southern Italy co-ordinator for Forza Italia.

According to a poll conducted by Directa, the Berlusconi-dominated right-wing alliance would obtain 295 seats in the 630 lower house against 242 seats for the Progressive Alliance led by the former communist Party of the Democratic Left (PDS).

The Directa poll – broadly endorsed by another conducted by Telemontecarlo – indicated that the PDS will get a maximum of 135 seats in the chamber of deputies with Reconstructed Communism, the hardline rump of the old Communist Party winning up to 35 seats. The strength of Reconstructed Communism and its damaging programme proposals, such as raising taxes on government bonds, are imposing severe strains on the Progressive Alliance.

The centre parties, composed mainly of the former Christian Democrats reformed under the Popular party (PPI) and referendum leader Mr Mario Segni's Pact for Italy, would get 68. The remaining 25 seats would go to the small parties.

- Seven former members of Italy's domestic intelligence service (Sisde) have been sent for trial for allegedly embezzling L60bn following an investigation by Rome magistrates lasting over nine months.

Thousands of people marched through Paris at the weekend demanding the right to work and protesting against the Balladur government's proposal to cut wages for recent graduates. The rally was organised by the Communist-led CGT

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US and Russia anxious to begin drawing up maps

Envoys near critical stage in hunt for Bosnian peace

By Judy Dempsey

The US and Russia, now co-ordinating every move in the search for peace in the former Yugoslavia, want to resolve one of the more intractable aspects of a settlement for Bosnia: the maps.

After three days of negotiations in Vienna, Zagreb and Sarajevo, Mr Charles Redman, the US special envoy, and Mr Vitaly Churkin, his Russian counterpart, are reaching a critical stage in negotiations over Bosnia's future.

US and UN officials said that if the Bosnian Serbs could not be brought on board to join a complex federation of Bosnia's Moslems and Croats, then the Bosnian Serbs would have to decide whether to cede land in return for peace. Otherwise, they added, the Bosnian Serbs could find themselves in a "limbo", with their territory unrecognised by the international community.

The search for a settlement intensified over the weekend when:

● General John Galvin, the former supreme commander of Nato, helped forge a defence agreement between Bosnia's Croats and Moslems leading to the establishment of one Bosnian army.

US officials stressed this would not provide the means for a new offensive against the Bosnian Serbs. "Its aim is to stop the fighting between Croats and Moslems. It is also the first step towards creation of a federation in one part of Bosnia," a US official said.

● After talks in Zagreb, the Croatian capital, Mr Churkin said he would not rule out Serb participation in the federation. Even Mr Momcilo Krajisnik, speaker of the Bosnian Serbs' self-proclaimed parliament and an important negotiator, said Serbs were willing to join peace talks or some some kind of co-existence with Moslems and Croats within Bosnia.

● In Sarajevo, Bosnian Serb and Moslems said they had set up a preliminary agreement to open up to civilian traffic routes in and out of the Bosnian capital. This could be the beginning of the lifting of the siege, and an eventual de-militarisation of the city.

● Mr Churkin, who met Bosnian President Alija Izetbegovic in Sarajevo yesterday, will today hold talks with Serb leaders in Belgrade, the Serbian capital. US officials said the talks could pave the way for an overall peace settlement for Bosnia and Croatia.

Mr Churkin must establish today whether President Slobodan Milosevic of Serbia is ready to sue for peace, which would lead to the lifting of sanctions.

Any moves towards peace would require Belgrade persuading the Bosnian Serbs, who hold nearly 70 per cent of Bosnia, to reduce their control to about 49 per cent, while the proposed Bosnian Croat/Moslem federation would include 51 per cent of the republic's territory.

During Bosnian Croat and Moslem talks hosted by the US in Vienna, maps have not been discussed for the proposed federation as any decisions would have to involve negotiations with the Bosnian Serbs.

Sections of the Bosnian Serb leadership are loath to cede any land. It would mean breaking the fragile territorial corridors linking Serbs living in Krajina, south-western Croatia, to Bosnian Serb territory, and ultimately to Serbia proper.

"It is difficult to know if the links between Milosevic and the Krajina Serbs are weaker than those between the Bosnian Serbs and Krajina," a UN negotiator said.

"Milosevic has to decide if he is prepared to weaken those links [with Krajina] in return for sanctions being lifted; equally the Bosnian Serbs must recognise they have no legitimacy as a self-proclaimed state if they do not negotiate," he added.

But the overriding consideration with regard to the status – and fate – of the Krajina Serbs is the extent to which they can be used as pawns by Belgrade in the hunt for a settlement with Croatia and Bosnia.

"The future status Krajina holds is the linchpin for peace between Croatia and Serbia," a UN peace negotiator said. "Croatia wants full control of its territory, including Krajina. But the Krajina Serbs do not want to live in Croatia, regardless of pressure from Belgrade. They are the Achilles' heel."

Despite this, Bosnian Serbs – and Mr Milosevic – continue to hold a strong negotiating position. They can argue that the federation of Bosnian Croats and Moslems will be linked to Croatia through a confederation, in effect creating an eventual Greater Croatia and rewarding Croat gains in western Hercegovina. Consequently they can ask why the Bosnian Serbs in eastern Bosnian cannot link to Serbia proper.

"The answer is that the US wants to maintain a semblance of Bosnia's territorial integrity. But we know that under a new guise, and with haggling over the maps, Bosnia is already being carved up between Zagreb and Belgrade," a UN official said.

French Prime Minister Edouard Balladur paid an unannounced visit to French troops serving with United Nations peacekeepers in former Yugoslavia yesterday, Reuter reports from Paris.

Mr Balladur went first to Zagreb, Croatia, and was due to visit the Bihac pocket in northern Bosnia, aides said.

He was accompanied by Defence Minister François Léotard on his visit to units which came under Serb fire last week, when artillery rounds hit French positions and a 22-year-old soldier was killed by a sniper.

French commanders are reported to be irate since a request they made for Nato aircraft to strike back at the Serbs was turned down by UN commanders.

The Bihac pocket, where about 1,300 French troops are stationed, is a Moslem-inhabited enclave surrounded by Serb troops.

A Bosnian Serb soldier fires a 120mm cannon during heavy weekend fighting near the Moslem-controlled town of Maglaj Reuter

Slovaks worry about jobs as political battle rages

Patrick Blum on the crisis as Meciar fights for survival after losing a parliamentary vote of confidence

Mr Vladimir Meciar, Slovakia's beleaguered prime minister, begins what is expected to be a long and bitter battle for his political survival today, when he hands in his government's resignation.

Mr Meciar, who lost a parliamentary vote of no-confidence on Friday, has already threatened to close down government by immediately pulling out all his ministers.

While in theory a new government could be appointed within days, as is clearly the hope of President Michal Kovac, disagreements within the opposition and stalling tactics by Mr Meciar and his Movement for a Democratic Slovakia (HZDS) could prolong the crisis.

Parliament must also approve a date for early elections – something it has not been able to agree on until now. The next general election is not due before 1996.

Mr Meciar – who is aware of conflicting interests within the opposition, which ranges from the strongly christian KDH on the right to the reformed communists in the Party of the Democratic Left (SDL) – has also thrown the cat among the pigeons by pushing for a general election in June.

This was rejected by parliament as impractical, but the opposition then failed to muster enough support for its own motion calling for elections in November. Deputies representing the Hungarian ethnic minority held back support in the hope of winning concessions for more autonomy.

The SDL will now try again on Wednesday with another motion calling for elections in September-October, but it is by no means guaranteed it will win the 90 votes required in the 150-seat parliament. The opposition could muster only 78 votes in support of its no-confidence motion.

The HZDS has also gathered more than the 350,000 signatures required for a petition to force a referendum on holding early elections and dismissing deputies who have switched party. If the petition is accepted as legitimate, President Kovac must order a referendum within 30 days, but even so elections are likely to be delayed.

"It could take months before the situation is resolved," a senior Slovak official said privately yesterday.

Such political uncertainty could not come at a worse time, with the country facing serious economic difficulties that may require unpopular measures.

The economy remains deeply in recession, unemployment already at 15 per cent of the workforce is rising fast, and there may be renewed pressures for a devaluation.

None of this would make a transitional government very popular.

The problem is compounded by the lack of clear political alternatives. Opposition to Mr Meciar has been as much over his authoritarian style of governing as about policies. None of the opposition parties has come up with a distinct political progamme for government, focusing instead on piecemeal policies.

Slovakia became independent almost against its own wishes on January 1993; having to build most of its institutions from scratch.

It was short of qualified personnel, and its politicians had no experience of running an independent country.

This has made for highly personalised and unpredictable politics, such as attempts to find a third way between capitalism and socialism, that have since been abandoned but did not help the country's international image or encourage foreign investment.

Meanwhile, the past two years' political infighting has alienated an increasing number of Slovaks. According to recent polls, about half eligible voters do not intend to vote or do not know what to vote for. Younger voters are most disaffected, though dissatisfaction is widespread.

"They don't care, they're just interested in power," says a young biology student in Bratislava. A taxi driver berates the politicians' constant wheeling and dealing and has no time for the parliament. "It's bad for business," he says.

Even officials are downhearted. "There's a big gap between what the government think and what the people think," a provincial chief of police says.

Less than two years after victory in the June 1992 elections, and over a year after independence, Mr Meciar's popularity has declined to around 15 per cent in opinion polls. The government has been weakened by successive rows and defections, culminating in the recent damaging public confrontation with the president.

Independence has not brought the prosperity promised by politicians, though it is now accepted as irreversible. People are more worried about jobs and security, but with every new twist in the political crisis, the uncertainty deepens and prospects of economic recovery become more remote.

"Whatever happens it's going to take time. It's a mess, and its going to get worse before it gets better," one diplomat said.

G7 leaders in Detroit try to find balance between high wages and unemployment

Lack of training shuts door to poor

By George Graham in Washington

When President Bill Clinton first called for a special conference to discuss jobs and unemployment at the Group of Seven summit in Tokyo last summer, the US economy was still recovering only anaemically from the 1990 recession, and unemployment stood at 7 per cent.

Today, as the conference convenes in Detroit, the jobless rate is 6.5 per cent – despite a change in the method of calculation that makes the figure higher than under the old system.

Comparing the US record with that of Europe, some US commentators have sneered at the purpose of the conference.

"Actually, there is no global crisis; there is only a European crisis," scoffed Mr Robert Samuelson in the magazine Newsweek. "We have nothing to learn from the Europeans about job creation, and the lessons they could learn from us are the obvious ones that – for political and social reasons – they can't adopt."

Clinton administration officials, however, have spent the last week telling anyone who would listen that, on the contrary, they still have a great deal to learn from them.

While the US has indeed had much more dynamic job creation than the other G7 countries, they note, real wages in the US have stagnated for years. At the same time, income disparities between the better trained and educated and the less well trained have widened dramatically. Whole segments of the population have been virtually shut out of the job market, with unemployment approaching 70 per cent in some cases, such as inner-city black teenagers.

"Others could learn from US flexibility and dynamism. We could learn from what others have done to facilitate the transition from school to work," said Mr Larry Summers, the treasury under-secretary for international affairs.

Looked at over a period of decades, the US has consistently created new jobs at a strong pace. The number of non-farm jobs grew by an average of 2.2 per cent a year from 1950 to 1990.

Unemployment, meanwhile, oscillated between 4.9 per cent and 9.7 per cent in the 1970s and 1980s, much lower than comparable European rates – although some workers may give up the search for work quicker than they might in Europe, since US benefits stop after 26 weeks.

At the start of the 1990s, employment stagnated as recession was followed by a slow recovery which seemed to bring few new jobs in its wake. Last year, net job creation picked up to 1.8 per cent – more robust, but still weak by the standards of most post-war recoveries.

A new study by economists Steven Davis, John Haltiwanger and Scott Schuh at the Census Bureau's Centre for Economic Studies shows that the gross creation and destruction of jobs that produces these net annual figures is far more dramatic.

Nearly a thousand job seekers queue for 30 jobs at a refinery in Chester, Pennsylvania in the early 80s. How much has the picture improved? Picture: UPI

Looking at data from individual manufacturing plants from 1973 to 1988, they found that in a typical 12-month period 10.3 per cent of jobs disappeared, while another 9.1 per cent were newly created.

While US workers have been finding jobs, their earnings, adjusted for inflation, have fared worse. Average weekly earnings in the private sector, measured in 1982 dollars, climbed from $261.92 in 1960 to $315.38 in 1973. Since then, they have slipped back steadily to only $255.99 at the end of 1993.

Within this overall decline, workers in the highest wages bracket saw their earnings rise by an average of 4.4 per cent in real terms over the last 20 years, while workers in the bottom wage bracket saw a real fall in earnings of 10.3 per cent.

Another Census Bureau study published last week shows that 18 per cent of America's 81m full-time workers earned less than a poverty level wage of $13,091 a year, compared with only 12 per cent in 1979.

Some European countries, while they may not have escaped the erosion of real wages, have avoided this increase in inequality.

This does not just mean that the superior record of job creation in the US has come entirely in low-wage, low-skill sectors such as fast food restaurants as some European critics suggest. Half of the job growth in the 1980s came in professional and managerial job categories.

"The US economy has not been producing McJobs disproportionately," says Ms Laura Tyson, chair of the White House council of economic advisers. "We have been creating jobs in good job classification categories, but that rate of growth of compensation of those jobs has slowed."

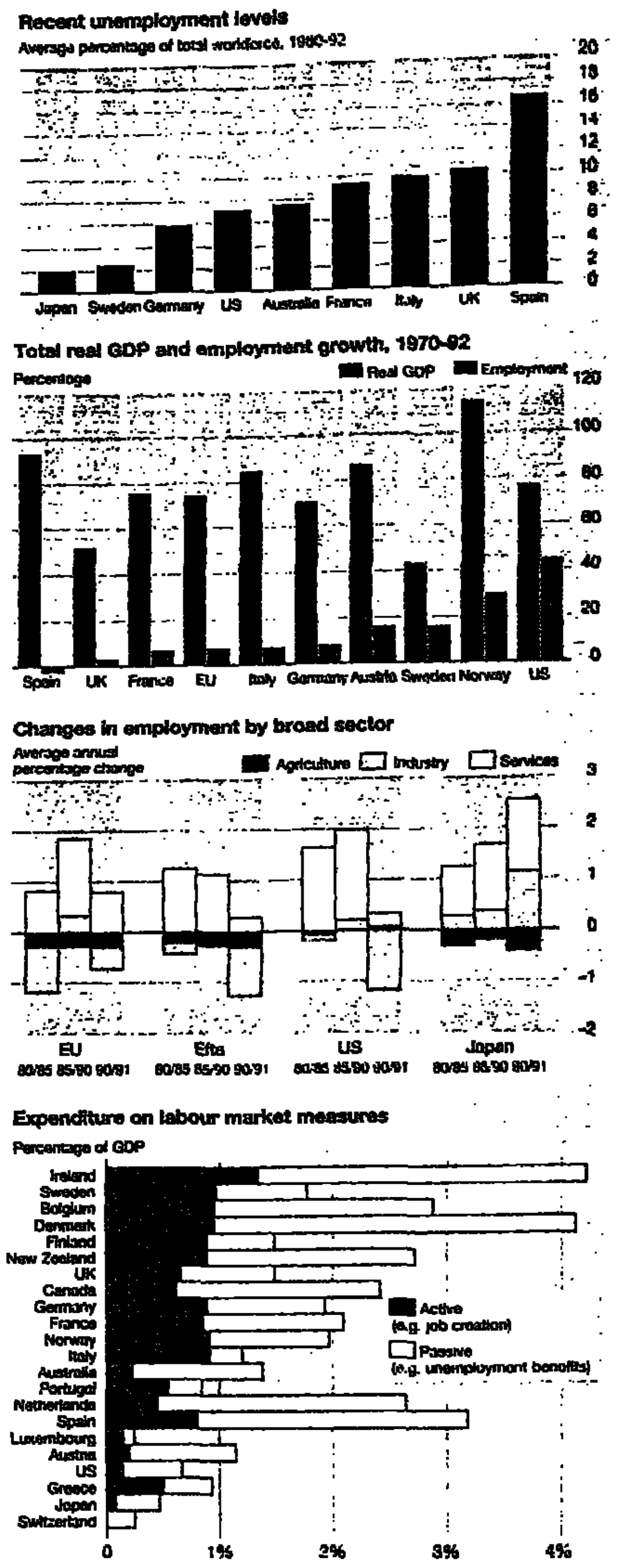
Some of the pressure on earnings has come from the spiralling cost of health insurance, which is provided in most cases by employers who generally pass on around 80 per cent of the costs to their workers in lower wages.

But even measures of total compensation, including health benefits, have grown at a rate the Clinton administration finds disappointing.

The question ministers will address today and tomorrow is, in the words of Mr Robert Reich, US labour secretary: "Are the citizens of advanced economies condemned to choose between, on the one hand, more jobs which pay less and less, or good jobs but high levels of unemployment accompanying those good jobs?

"I think there's a third choice, and that third choice may be to combine the kind of investments in education and training and apprenticeship that we find in Europe with the dynamic labour mobility and flexibility we find in the US, all encased within macroeconomic policies which encourage growth and jobs," Mr Reich concludes.

Unemployment: the dimensions of the crisis



US and Europe discover unusual consensus

All agree on need for greater flexibility and better training, writes David Goodhart

An unusual consensus has emerged – at least between the US and Europe – from the dozens of papers produced by governments and think-tanks for the Group of Seven jobs summit, which is to begin in Detroit today, even if there has been no new big idea for solving the developed world's unemployment problem.

The three main voices in the debate – the US, the UK and the continental European – backed by economists at the Organisation for Economic Co-operation and Development, are all emphasising a combination of greater labour market flexibility, easier enterprise formation, more effective active labour market measures and improvements in education and training.

There is even a broad consensus around one of the central causes of unemployment in the developed world: that a combination of trade with developing countries and technological change has permanently reduced demand for less-skilled labour. Benefit systems and minimum wages put a floor under unskilled wages in Europe, so the fall in demand has shown in rising unemployment. In the US, on the other hand, the problem is expressed in falling wages or resort to crime.

The policy challenge is to move as many people as possible into high-skill jobs, while ensuring that labour markets are flexible enough to soak up the rest without forcing down incomes too far. By their attendance at the summit, all G7 countries implicitly accept that social engineering to deal with this collapse in demand for unskilled labour, and to cut the time lag between the destruction of old jobs and the creation of new ones, is justified.

In political terms, both free-market liberals, represented most strongly by the UK government, and social/Christian democrats, represented by continental Europe and the European Commission, can sign to such a combination of ideas. A Democratic administration in the US, interested in European welfare and training systems but still wedded to many aspects of its own flexible labour market, hovers between the two.

But the idea of mid-Atlantic convergence can also be misleading, because the meeting point is far closer to the US than to the European coast. Indeed, the starting point of the most influential analysis is considerably more liberal and competitiveness-conscious than a decade ago.

The emphasis in Europe is on repairing the poor capacity of its economies to create new jobs. In the US, which has produced 2m new jobs in the past 18 months, the emphasis is on producing higher-skilled, higher-paid jobs.

All the main parties to the debate, including the traditionally orthodox OECD, are also careful to avoid advocating US-style wage differentials, and real wage cuts (in 1972-1992 US average real wages fell by about 10 per cent). Even the UK government, the strongest admirer of the US model, talks about the balance to be struck between market forces and regulation.

The main clusters of ideas on the Detroit agenda are:

● Wage and regulatory flexibility. The OECD has long advocated that Europe increase its labour cost flexibility and reform its job security provisions. The most surprising recent convert to this orthodoxy has been the European Commission. The European Commission's White Paper on Growth, Competitiveness and Employment, published at the end of last year, talks about a new solidarity between the employed and the unemployed, and about "remodelled" regulation rather than de-regulation. But it pulls few punches on the problems of European rigidity. It says that many social protection schemes and wage bargaining systems have had a negative impact on employment, protecting those in work at the expense of job-seekers, and says that there is broad consensus from member states on the need for greater flexibility and lower labour costs.

The most concrete policy proposal to create more jobs for the less skilled and increase the "employment-intensity" of the services sector is to increase the burden of non-wage labour costs as incomes rise. At present, the proportion falls as incomes rise in most European countries.

The US paper circulated to governments before the summit also stresses that the main policy requirement for Europe – and Japan – is to reduce restrictions on wage setting and employment adjustment which reduce the incentives of the unemployed to find jobs and the incentives of employers to create them.

● Training, education and good jobs. The US paper says that, in the right climate of innovation and entrepreneurship, new technology creates as many jobs as it destroys. But, if all citizens are to qualify for these jobs, the standards of basic education and training must be improved, especially in the US, and the school-to-work transition must be better handled.

● Active labour markets and more flexible welfare. The annual cost of unemployment in the EU – including foregone income – is more than Ecu200bn (£151bn) each year, greater than the GDP of Belgium. In recent years, there has been a small shift towards active labour market measures – training, job placement, and so on – but more than two-thirds of direct spending on unemployment still goes on passive measures.

The challenge is to find ways of boosting the incomes of the unskilled in a more economically efficient manner than just leaving them on benefits. The problem is that Europe's social security systems were designed on the assumption of full-time employment and have failed to adapt to the growth of part-time and "atypical" employment. Individuals find it difficult to move from unemployment into anything other than full-time work because of the steep claw-back of benefits.

● Disagreements and other views. There are, of course, differences of emphasis between the main participants, with most European countries playing down cyclical factors and playing up structural factors, while the US still believes that a good part of the unemployment problem is linked to low growth.

"Countries which pursue structural improvements, without taking steps to increase aggregate demand, will see little or no return for their efforts," warns the US paper. Japan, with the best record of any G7 country on jobs in recent years, also warns in its otherwise orthodox paper against too much emphasis on labour flexibility. "Excessive mobility of workers discourages incentives to enhance human resource development by enterprises," it warns.

One idea – not on the Detroit agenda – which runs strongly counter to economic orthodoxy is work-sharing. The EU White Paper was ambivalent about it, praising the Netherlands for producing many new jobs, but rejecting "a generalised reduction in working hours and job-sharing at national level".

Even so, as a preferable alternative to widespread redundancies for companies in short-term trouble, reduced working time will remain on the broader agenda.

INTERNATIONAL PRESS REVIEW

Madrid

Spain's Socialist government has found itself in a role it wanted badly to avoid – as the villain of the piece, or as they say in Spanish "the bad guy in the film", over enlargement of the European Union. But by evoking "national interests" it has ensured a broad front of support from the country's press.

Most editorialists gave less importance to the wrangle with Norway over fishing rights than Spain's demands for minority blocking votes in the future 16-member EU. The leading Madrid daily El País described Spain's decision to dig its heels in as "unfortunate, but right".

At stake was Spain's ability to prevent decisions on crucial issues being imposed on it. The argument boiled down to "a struggle to prevent Europe's centre of gravity being definitively shifted northwards". It recognised the quandary this represented for Spain's ostensibly pro-European leaders.

"For some negotiators it is hard to resist the pressure and criticism from friends, partners and allies. But in this instance there is no other way for Spain, which favours enlargement, to defend interests of the first magnitude."

The right-wing daily ABC said the government's firmness was backed by all political parties. But the government itself was partly to blame for the "terrible" way it negotiated Spain's entry eight years ago, leaving the country "in many sectors defenceless against a decision by Brussels." As for Norwegian cod, it hoped for "a logical outcome which would cater for Spain's legitimate demands without imposing intolerable conditions on Norway."

The conservative Barcelona newspaper La Vanguardia commented: "Anyone shocked by Spain's attitude should also be shocked by the attitude of those opposing its demands." Norway, it conceded, was "perfectly entitled to defend its interests." The difference was that the Norwegians were on the outside trying to get in.

Chile's new president, Eduardo Frei, waves to supporters after his inauguration Reuter

Paris

Air France's request for FFr20bn (£2.3bn) in state aid, and the fact that it accounted for half the losses made by all the world's airlines last year, occupied much space – but provoked relatively little editorial comment – in the French press.

One exception, however, was La Tribune, the business daily, which said that some would find it "scandalous that the French taxpayer was having to dig into his pocket again" to save Air France, and Bull the computer company, and others "would reckon that the bills presented by the new bosses of these companies were a bit steep, even indecent, at a time when private companies were having to take the risk of going to the markets for new money".

The distortion of competition was too flagrant not to be noticed, said La Tribune in language that could have come – and undoubtedly will – out of a British Airways press release on the Air France aid request.

But the real problem, La Tribune said, was that Air France and Bull had simply always lived sheltered lives, protected from the market and winds of competition. Their recent history was a tale of "money lost, energies wasted and employees disappointed".

However, Ouest France, produced in Bordeaux but with the largest circulation in France, struck a more upbeat note. Mr Christian Blanc, Air France's new boss had a record of solving knotty problems like the New Caledonian crisis in the 1980s, and other French companies like Citroen had been able to pull themselves rapidly together. But it said Air France's problem was that it essentially lacked a business culture, and "that will not be settled by a cheque".

Santiago

Weekend papers were glowing in their accounts of the presidential handover, a "fiesta of democracy" in which Eduardo Frei, in the words of La Nación, "arrived in Valparaiso (home to Congress) as a common citizen and returned to Santiago as president".

For the most part, editors forgot their political differences and treated the event as pageant. This was, after all, as La Epoca pointed out, the first time in nearly 25 years that power had been transferred from one democratically elected president to another. The last time was in 1970 when Eduardo Frei's father handed the presidential sash to Salvador Allende.

The man responsible for breaking that sequence, General Augusto Pinochet, attended Frei's inauguration in his capacity as commander-in-chief of the armed forces. According to El Mercurio, the general's entrance "was received with loud and prolonged applause". La Epoca noticed that, after the ceremony, the general did not exit through the front door, but left "via the car parks".

There was much praise for outgoing president Patricio Aylwin, though an opinion piece in La Tercera thought his government had not properly administered "what it had received from its (military) predecessor".

El Mercurio said that – discounting financial scandal at state copper company Codelco, and a lax attitude towards crime – Aylwin's presidency "had been one of the most auspicious in the country's history". It hoped President Frei, a fellow Christian Democrat, would show the same "moderation".

La Nación was less cautious. In a piece headlined "Four unforgettable years" it said: "The historical merit of Aylwin is that he taught us to live in a democracy once again." Now that Chileans were not fighting for basic political freedoms, they could concentrate on social problems, it said. "Four years ago, it was not like that."

Contributions from: David White, Madrid; David Buchan, Paris; David Pilling, Santiago.

White House fights back on Whitewater

Jurek Martin senses that a new strategy is starting to emerge

The outlines of a new White House strategy to recover from the debilitating Whitewater affair have begun to emerge over the last few days, according to senior officials preferring to speak off the record.

Prominent will be the emergence of Mrs Hillary Clinton back into the public domain, following more than a week when controversy about her role in the complex tale of family financial and land dealings in Arkansas had driven her into relative seclusion.

Two weekly news magazines will publish interviews with her today in which she confesses to "mis-steps" in White House handling of the affair and an underestimation on her part of media interest in it. A press conference or TV interview, with or without her husband, is also being considered.

The White House sense is that Mrs Clinton's "moral authority," both as a policy adviser and role model, has been damaged, but is by no means beyond repair. President Bill Clinton's public schedule, which took him to Detroit yesterday for today's Group of Seven jobs conference, will also be stepped up.

Officials admit he has been much distracted over the last ten days by Whitewater and particularly want him to turn his attention back to several pressing foreign policy issues, such as relations with China and Russia, Bosnia and, possibly, putting the new Nato "partnership for peace" with eastern Europe on a faster track.

Mr Lloyd Cutler, recruited last week as new White House legal counsel, has already emerged as a leading designated spokesman, with the mission to assure both public and press that no crimes were committed and no cover-up undertaken. Yesterday, for example, he appeared on all three TV network Sunday shows, a rare occurrence.

His presence, taken together with the fact that both the Clintons are now consulting more widely with senior staff who had been frozen out of the internal Whitewater deliberations, seems to have lifted some of the demoralised gloom inside the White House that touched a nadir when the federal grand jury issued subpoenas to senior staff.

Mr Joel Klein, the deputy counsel who joined the White House last December to fill the late Mr Vincent Foster's shoes, is also given much credit for ensuring no stone was unturned in delivering documents to the grand jury. He is said to have established an excellent working relationship with Mr Robert Fiske, the independent counsel, and this has contributed to what is hoped to be a growing impression in the media that the White House is holding nothing back.

Mr Cutler said on NBC yesterday his investigations included "accusations relating to possible Clinton involvement" in the death of Mr Foster. He did not eleborate.

The media mood itself is currently quite fickle. Absent any new revelations, several publications in the last 48 hours have run self-critical articles about Whitewater reporting overkill. Opinion polls depict a public still less than consumed by the affair.

A critical element to the White House strategy is to get political and public focus back on the president's domestic programmes. Last Friday's comfortable passage by the House of the 1994-95 budget with only marginal changes to the administration blueprint was a substantial victory for the president but received perfunctory media coverage, in sharp contrast to last year's budget drama when Mr Clinton prevailed by just one vote.

One option is to try to cut an early deal with Congress on health care reform, incorporating some basic elements of the Clinton plan, including universal coverage, but with concessions to more modest versions advanced by both conservative Democrats and moderate Republicans.

This approach is being pushed by the less ardent supporters of the Clinton plan and, therefore, may encounter resistance from the First Lady, its chief architect. The counter argument is that public support for the plan is ebbing and failure to cut a deal soon may mean loss of any chance to pass health care this year.

The second option is to try to reach early accommodation with House Republicans on a crime bill comparable to that approved by the Senate last year. This would take up a popular issue and would exploit some Republican nervousness about being seen to hold the legislative programme hostage to Whitewater.

White House tacticians sense a tendency on the part of the Republican Whitewater assault troops to overplay their hand. Over the weekend several prominent Democrats took to attacking the record of Senator Al D'Amato of New York, a leading Whitewater critic, whose own ethical history is studded with controversy.

However, further personnel sacrifices from the administration are far from excluded. The most likely candidate appears to be Mr Webster Hubbell, now the associate attorney general and previously Mrs Clinton's law partner in Arkansas. He has been accused of assorted ethical improprieties, not all related to Whitewater.

Also vulnerable is Mr Roger Altman, deputy treasury secretary, who initiated meetings with White House officials to discuss the status of federal investigations into the failed savings and loan at the heart of Whitewater. However, late last week, Mr Lloyd Bentsen, treasury secretary delivered a pep talk to senior treasury staff on the imperative of rallying behind Mr Altman.

Beneath this guarded sense of recovery lies the fear of further damaging accusations and revelations. As fas as Whitewater itself is concerned, senior officials believe that the worst that could happen is that Mr and Mrs Clinton might be forced into a civil settlement, such as payment of back taxes.

This could be politically harmful but not fatal to his political future, especially if the economic recovery continues. However, so Balkanised had the White House become that extensive knowledge both of Whitewater and of the events of the last nine months, sometimes portrayed as a cover-up, is not widely spread even in the upper reaches of the executive branch.

Hopes for global green fund at meeting today

By George Graham in Washington

Delegates from 80 countries are meeting in Geneva today in an effort to reach agreement on setting up a \$2bn (£1.3bn) Global Environment Facility to help developing countries deal with climate change, water pollution, threats to biodiversity and ozone depletion.

A pilot GEF has been operating since 1991 under the wing of the World Bank and the United Nations Development Programme, but the 1992 Earth Summit in Rio de Janeiro agreed to reorganise the facility and give it new resources.

Member countries failed, however, to reach agreement on the rules and structures of the new GEF at a meeting in Colombia, in December, as delegates from many developing nations began to question whether the richer industrialised countries were cooling on their promise to provide \$2bn for the fund.

Mr Mohamed el-Ashry, GEF chairman, is optimistic that agreement can be reached in Geneva, but he warns that time is running out for the negotiations. "While all the indications point towards agreement, I also feel this could be the last opportunity for governments to put together a GEF," he said last week.

Other participants agree both with his optimism and with his warning that the window of opportunity could close.

Developed countries have reaffirmed their commitment to a target of \$2bn for the facility, divided among them roughly in line with a formula based on their shares in the International Development Association, the soft loan window of the World Bank.

The US, the largest contributor, is offering \$430m, about \$20m less than the IDA formula would require, and France and perhaps Italy have threatened to reduce their contributions in line with the US. Australia and Spain will also give slightly less than the formula.

US officials are unapologetic, however, about what they see as a substantial contribution in a very difficult budget environment. "It's a little unfair for others to use us as an excuse," a US Treasury official said.

Japan, the second largest contributor, is expected to come up with its full share of just over \$400m share, and the UK with its share of over \$130m.

With contributions from half a dozen developing countries, the total would probably come to about \$1.9bn, which GEF officials hope would be enough to avert a collapse in negotiations, and which could be topped up later with money from countries not involved in the talks.

With the issue of money out of the way, delegates in Geneva must resolve their remaining differences on the new GEF's procedures.

These differences have for the most part been over whether the GEF should be run more along the lines of the UN and its spin-offs – an approach favoured by the developing countries – or like the World Bank and the other Bretton Woods institutions, as the developed countries prefer.

Perhaps most contentious is whether the council should be chaired, like the World Bank, by the chief executive, or by one of the country representatives, like the UN.

Mr el-Ashry believes that the GEF countries have moved much closer to an agreement since the Colombian meeting: "We have gone a long way towards putting together something that can stand the test of efficiency and effectiveness, while at the same time having political acceptability."

Mexican political threat

By Damian Fraser in Mexico City

Mr Manuel Camacho Solis, the Mexican government's peace envoy in the southern state of Chiapas, has indicated he might run for national office if the government did not approve democratic reforms under discussion for the country and failed to comply with the recent peace accord for the rebels in Chiapas.

He thereby resisted rising pressure from his colleagues in the governing party to rule himself out of the presidential race.

The party's 65-year hold on power could be jeopardised if Mr Camacho, a former mayor of Mexico City and an ex-foreign minister, were to realise his veiled threat to run as an opposition candidate in the presidential election in August.

"If there are no advances in democracy and if, instead of accord, there is polarisation and if anyone wants to trample on my political rights as a citizen, then after I have fulfilled my mission in Chiapas, I will take the necessary political decision to bring democracy and unity to Mexico," Mr Camacho told reporters.

Support for S American free trade area

By Angus Foster in Brasília

Brazil's proposal to create a South American free trade area has won the backing of the country's three partners in Mercosur, the regional common market planned to come into effect next year.

Brazil and its partners Argentina, Paraguay and Uruguay agreed last week to begin negotiating the proposal with other countries in the second half of this year, after final arrangements for Mercosur are agreed.

Mr José Arthur Denot Medeiros, responsible for Mercosur at the Brazilian foreign ministry, said the idea for the free trade area, first suggested last year, is an extension of Mercosur and designed to increase trade in the continent: "This should be seen as a further trade liberalisation move to make South America eventually ready for some kind of convergency with an expanded North American Free Trade Agreement."

The free trade area is expected to go into effect over ten years from 1995. It will be defined to cover "substantially all" goods, or at least 80 per cent of trade. Unlike Mercosur, the area would aim to create a customs union, although some countries may be invited to join Mercosur at a later stage.

Mr Denot Medeiros said the proposal was not designed as a response or competitor to Nafta. Brazil believes the two entities could be complementary and that some countries could be members of both. Chile, expected to be the next invited to join Nafta, would also be an important member of the South American area, he said.

Brazil's idea has received so far only a lukewarm response from other South American countries. Some were awaiting a formal decision on whether to proceed from the four Mercosur countries.

There have also been occasionally confusing signals from Argentina on its commitment to Mercosur, after disagreement with Brazil over the rate of common external tariffs to be applied. Tariffs on about 85 per cent of goods have already been agreed and the two countries have until June to agree tariffs on the remainder.

LEGAL NOTICES

THE INSOLVENCY ACT 1986
ELIMINATE LIMITED
(formerly known as
MOBIL OIL GIBRALTAR LIMITED)
IN MEMBERS VOLUNTARY LIQUIDATION

I, K A Robinson of Ernst & Young, Suite 5 International House, Bell Lane, Gibraltar, hereby give notice that on 3 March 1994 I was appointed liquidator of the above-named Company.

NOTICE IS HEREBY GIVEN that the creditors of the above Company are required, on or before 25 April 1994, to send in their full names and addresses and full particulars of their debts or claims to me and, if so required by notice in writing from me, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 3 March 1994

K A Robinson

Note: All known creditors have been or will be paid in full, but if any persons consider they have claims against the Company, they should send in full details forthwith.

REPUBLIC OF ALBANIA

The Foreign and Commonwealth Office advises that the Albanian Embassy People's Assembly has set a deadline of 31 March for the submission of claims against the Government of Albania in respect of property expropriated since 1945. Any individual or company with such a claim should urgently contact the Embassy at the address below to obtain further information.

Albanian Embassy
6 Wilton Court
59 Eccleston Square
London SW1V 1PH

No 001412 of 1994

In the High Court of Justice
Chancery Division

IN THE MATTER OF
SPECIALITY SHOPS PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 1st March 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £30,462,710.50, divided into 25,900,000 Ordinary Shares of 25p each, 43,486,498 A Ordinary Shares of 25p each and 26,432,172 Deferred Shares of 50p each, to £6,898,649.80, divided into 25,500,000 Ordinary Shares of 10p each and 43,486,498 A Ordinary Shares of 10p each and the reduction of the sum standing to the credit of the Company's share premium account by £3,171,082.60.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday, 30th March 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reductions of capital and share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 14th day of March 1994.

Frere Cholmeley Bischoff
4 John Carpenter Street
London
EC4Y 0NH
Ref: RMT/IMC
Solicitors for the above-named Company

Israel moves to ban extremist Jewish groups

By Julian Ozanne in Jerusalem

Two extremist anti-Arab Jewish groups were banned and branded as terrorist by Israel yesterday, in a move designed to bring the Palestine Liberation Organisation back to the suspended Israeli-Palestinian peace talks.

The concession to the PLO came after Mr Yassir Arafat, PLO chairman, said a package of guarantees allowing the Palestinians to return to the peace negotiations may be reached at today's meeting in Vladivostok between Mr Andrei Kozyrev, Russian foreign minister, and Mr Warren Christopher, US secretary of state. The two countries are co-sponsors of the Middle East peace process.

PLO officials said yesterday under the agreement Russia and the US would back a United Nations Security Council resolution condemning last month's Hebron mosque massacre and providing for the deployment of an international force in the territories to help protect Palestinian lives. Israel would promise to speed up the peace talks on implementing Palestinian self-rule and would complete a military withdrawal from the Gaza Strip and West Bank area of Jericho by April 13. In return the PLO would resume talks in Washington and Paris next Monday.

The outlawing of Kehane Lives and Kach, two militant orthodox Jewish groups which glorify violence against Palestinians in the Israeli occupied territories, has been one of the PLO demands for returning to talks. Both groups, which have only a handful of activists, are followers of Rabbi Meir Kehane, a slain Jewish racist who believed violence against Arabs sanctify Jews, reveal God's glory and bring the coming of the Messiah closer.

Kach has been banned from parliamentary politics since 1988 because of its racist electoral platform which demanded prison terms for Arabs and Jews who had sexual relations. Mr Baruch Goldstein, the Jewish settler who massacred 30 Palestinians in a Hebron Mosque last month, was a member of Kach.

Mr Michael Ben-Yair, attorney general, compared the two organisations with the Islamic extremist Hamas movement which rejects peace talks and advocates violence against Jews. Mr Ben-Yair said the two groups wanted to create a Jewish theocracy in the biblical land of Israel and force the 2m Palestinians living in the territories to leave.

The cabinet unanimously endorsed the ban after reports from the police and internal security that members of the two organisations were involved in murders of Arabs.

US crosses swords with China over human rights

By Tony Walker in Beijing

Mr Warren Christopher, US secretary of state, has told Chinese officials that time is running out for China to improve its human rights behaviour or risk losing its preferential trade status in the US.

His warning came in a weekend of bruising exchanges over human rights. The wrangle threatens a trading relationship worth more than $40bn (£26.7bn) last year, heavily in China's favour.

Chinese leaders dropped diplomatic niceties to tell Mr Christopher to mind his own business on human rights.

Premier Li Peng said it was "futile" to apply pressure over human rights. "China will never accept the US human rights concept," he declared.

Mr Christopher's mission was in danger of unravelling after sometimes acrimonious encounters with both Mr Li and Mr Qian Qichen, foreign minister. "I emphasised to China that time is of the essence... as we move into the next critical two months before I have to make my recommendation to President Clinton" on the renewal of Most Favoured Nation trading status, Mr Christopher told reporters.

Mr Li warned Mr Christopher that the US "will lose its share of the big Chinese market" if it withdraws China's trading privileges.

The arrest of prominent dissidents before Mr Christopher arrived in Beijing cast a pall over his mission. Detention at the weekend of several foreign journalists – who were trying to contact dissidents – further clouded the atmosphere.

The US wants the release of jailed dissidents, human rights improvements in Tibet, permission for the International Committee of the Red Cross to visit Chinese prisons, and a less rigid attitude to emigration.

China appeared ready late last year to respond to US concerns, but fears of civil unrest over rising prices and signs that dissidents were becoming more active appear to have prompted a fresh crackdown.

The US business community in Beijing, meanwhile, was openly critical of Washington's approach to China at an American Chamber of Commerce breakfast meeting yesterday.

"Choices facing our government are historic – either we engage China as a partner in managing regional security, economic growth and economic stability or we become adversaries," said the representative in Beijing of AT&T, the telecoms group.

Christopher: Time running out

Fears prompt price curbs

China, fearful of unrest caused by sharp increases in the cost of living, has taken a step back from its price reforms by authorising price controls on 20 basic items, writes Tony Walker in Beijing.

The official Economic Daily yesterday published a State Council (cabinet) decree enabling local authorities to "make appropriate interference" in the market. Items covered include wheat flour, rice, edible oil, coal and fees for schools and hospitals. China had claimed it had deregulated markets for all but a handful of staple items.

The cabinet decision reflects concern over the risks posed to public order by sharp rises in the cost of living. Inflation in China's 35 largest cities reached 23.3 per cent in January compared with the same month last year.

China has vowed to bring inflation below 10 per cent over the next year or so but is having difficulty calming an over-heating economy that grew by more than 13 per cent last year.

Nigerian policies 'set to fail'

By Michael Holman, Africa Editor

Nigeria's new economic policies "are definitely going to fail", Mr Kim Jaycox, World Bank vice-president for Africa, warned at the weekend.

In the most forthright public criticism by a World Bank official since Nigeria's military government revalued the currency, the naira, in last January's budget, Mr Jaycox said: "There is just no way they are going to succeed, and I think that they have got to be reversed."

He was speaking at a Washington news conference to mark the publication of the bank's report: Adjustment in Africa.

"These are not acceptable ways of managing an economy," Mr Jaycox said. "They have already tried this [a fixed exchange rate] in Nigeria many times. It has all come to major failure, and so it surprises us that they would be doing this again."

Nigeria was one of six countries credited in the report with a "large improvement" in macroeconomic policies between 1987 and 1991.

But the impetus that marked the reform programme fell away towards the end of the 1980s and, over the last two years, many of the benefits of reform have been lost.

The single greatest blow was the 1994 budget. General Sani Abacha, Nigeria's new military leader, fixed the exchange rate of the naira to the US dollar at nearly twice the market rate.

Hopes for the renewal of a lapsed agreement with the International Monetary Fund have been dashed, and rescheduling of Nigeria's external debt is unlikely to take place this year.

Arrears on the $28bn (£18.7bn) debt exceed $6bn.

Clash in Malaysia over state poll call

By Kieran Cooke at Kota Kinabalu, Sabah

A crisis was unfolding in the eastern Malaysian state of Sabah last night, as local leaders and the state governor clashed over whether the state assembly could be dissolved and new elections held.

In a bitter state election less than a month ago, the locally based Parti Bersatu Sabah (PBS), led by Mr Joseph Pairin Kitingan, Sabah's chief minister, narrowly defeated Malaysia's ruling National Front coalition led by Dr Mahathir Mohamad, the prime minister.

At the weekend, three PBS deputies to Sabah's state assembly announced they were joining the National Front.

Mr Pairin said he had no alternative but to dissolve the assembly and call fresh elections. The chief minister said he had followed the constitution in obtaining the Sabah governor's signature to authorise the dissolution.

At a news conference last night, Mr Pairin distributed what he said were copies of the signed document. But, on national news broadcasts controlled by the federal government, the governor denied signing and accused Mr Pairin of "mischievous and unbecoming behaviour."

Dr Mahathir has made no secret of his antagonism towards the PBS and to Mr Pairin in particular. After the PBS election victory, Mr Pairin was forced to wait for 36 hours outside the gates of the Sabah governor's house before being sworn in as chief minister.

Lawrence's victory lifts Labor

By Nikki Tait in Sydney

Ms Carmen Lawrence, the former premier of Western Australia who is tipped for high office in the Australian Labor party, is due in Canberra today having won a decisive victory in a Fremantle by-election at the weekend.

Ms Lawrence received 59 per cent of the votes, a swing of 1 per cent towards the ALP. The result is seen as a personal triumph for Ms Lawrence given the unpopularity of the Labor party in Western Australia.

The Fremantle seat was previously held by Mr John Dawkins, former federal treasurer, who has left politics.

Ms Lawrence is likely to be given ministerial responsibilities almost immediately.

Japanese drug price cuts to average 6.6%

By Paul Abrahams in Tokyo

Pharmaceutical price cuts announced late last week by Japan's ministry of health and welfare will reduce prices by 6.6 per cent on average.

The cuts are based on a complicated formula related to the level of discounts offered by manufacturers to wholesalers. They are due to be implemented on April 1, further slowing growth of Japan's prescription drugs market.

Sankyo, the country's second largest drugs group, was among those worst hit, suffering an average 8.1 per cent reduction on its eight top selling products, according to brokers Lehman Brothers. Zantac, the world's top-selling product which Sankyo markets for Glaxo of the UK, suffered a 10.3 per cent price reduction.

Sankyo was particularly hit because the ministry introduced a special 12.2 per cent price cut for Mevalotin, a cholesterol-lowering drug which is Japan's biggest-selling medicine, with estimated annual sales last year of Y99.6bn (£630m). Banyu, the subsidiary of Merck, the US group, was also the victim of a 12.2 per cent special price cut on Lipovas, its cholesterol treatment.

The special cuts have upset the industry because they are targeted at particularly successful medicines, and are not based on the usual formula. Interferons, used to treat hepatitis and cancer, were also subject to special reductions. Sales of cholesterol-lowering drugs increased more than 20 per cent last year in Japan.

Algerian raid frees militants

Algerian security forces at the weekend sought at least 900 prisoners, mostly Islamic militants, freed by a 150-strong commando in the most daring armed operation in the country's two years of internal violence, writes Francis Ghilès.

The raid on the fortified Tazult prison, 400km south-east of Algiers, supports evidence that much of Algeria is beyond the control of the armed forces.

Major pressed to delay radical legislation

By Philip Stephens, Political Editor

A powerful group of Mr John Major's cabinet colleagues is pressing the prime minister to shelve plans for further radical legislation.

The move looks set to delay indefinitely privatisation of the Post Office and to defer for at least a year other controversial reforms covering deregulation, privatisation and local government reorganisation.

Mr Major is being told by the so-called "consolidators" in his cabinet to eschew Thatcherite radicalism in favour of entrenching past shake-ups of the education, health and other public services.

The ministers believe that with the government already committed to difficult legislation next year on social security benefits, pensions and Europe, it cannot afford to take unnecessary risks.

That view runs counter to the instincts of Mr Kenneth Clarke, chancellor of the exchequer, who wants the government to maintain the momentum of change. Mr Clarke is backed by the handful of right-wing ministers in the cabinet.

The division promises to cause a protracted struggle over the next few months as the cabinet frames the legislative programme for the parliamentary session starting in autumn.

But after a series of unexpected political rows, defeats in the House of Lords and embarrassing U-turns during the past few months there is a strong mood in favour of retrenchment on the Tory back benches.

The consolidators' group, which includes Mr Douglas Hurd, the foreign secretary, Lord Wakeham, the leader of the House of Lords, and Mr Richard Ryder, the chief whip, see as their first target the proposed break-up of the Post Office.

Several have warned that privatisation of the Royal Mail would invite strong opposition both in the Lords and among Tory MPs because of the potentially damaging implications for rural services and post offices. With the support of other ministers such as Mr Tony Newton, leader of the House of Commons, Mr Michael Howard, home secretary, and Mr William Waldegrave, public services minister, they are also resisting Treasury calls for an "omnibus" privatisation bill.

The Treasury wants to streamline the privatisation procedure by removing the need for separate legislation before each sale of public assets. But opponents say it would run into certain trouble in the House of Lords.

Other measures facing possible delay are the proposed new privacy legislation, London taxi and bus deregulation, liberalisation of the licensing laws and alignment of British Summer Time with continental Europe. Treasury hopes that the nuclear industry might be privatised in the present parliament (which runs until spring 1997 at the latest) are also being dismissed as unrealistic.

Power prices forced down by competition

By Michael Smith

Prices in the electricity pool, the wholesale market for power in England and Wales, have hit record lows as National Power and PowerGen, the two largest generators, engage in a fierce battle for market share.

The price falls are an unexpected bonus for several thousand industrial power users, including Imperial Chemical Industries, whose bills are related directly to pool prices and who have long complained about increases.

Domestic consumers, whose supplies are protected by long-term hedging contracts, will not benefit unless prices stay at such low levels for some months, which is unlikely. The biggest loser is Nuclear Electric which earns more of its income through selling to the pool than the two largest generators.

In the pool system, generators bid to the National Grid a series of prices for electricity for each of the power stations they operate. The National Grid then chooses which plants will supply electricity the next day. Electricity from the pool is bought by regional electricity companies and large energy users.

Ironically, the record low prices come at the end of a financial year in which Professor Stephen Littlechild, industry regulator, threatened to refer National Power and PowerGen to the Monopolies and Mergers Commission after earlier price rises.

Last month he decided against a referral after a deal with National Power and PowerGen in which the generators agreed to keep prices for electricity bought from the pool below 2.4p/Kwh on average in the next two years.

This suggests that the main component of prices, the so-called system marginal price (SMP), should be 2.1p at most. The SMP is the bid price of electricity from the most expensive power station needed to meet all demands.

Last weekend, March 5 and 6, SMP was 1.1p, the lowest daily averages since the pool was set up in March 1990.

The average for all days this month was 1.5p, compared with a peak 2.6p last May, 2.5p in January and 2.1p in February. If the March trend were to continue it would be the lowest for any month since December 1990 when the first power companies were privatised. The previous lowest was 1.8p in August 1991.

Market analysts are hesitant to draw any conclusions on long-term prices. Most industry observers believe prices will rise at the start of the new financial year next month.

Miners leader Arthur Scargill at Saturday's march in South Yorkshire marking the 10th anniversary of the national coal strike Picture: Press Association

Miners mark 10th strike anniversary

British miners turned out on Saturday for what could be a last official farewell to two strikers who died on picket duty during the year long miners' strike.

The annual memorial march for David Jones and Joe Green at South Kirkby, South Yorkshire, on the tenth anniversary of the 1984-85 coal strike, is likely to be the last because of the falling numbers of miners.

National Union of Mineworkers' president Arthur Scargill led the march through the former pit village for a final rally at the Frickley Colliery Football Club.

Mr Scargill paid tribute to the two men who, he said, had paid the "ultimate price" in defence of the miners' industry, jobs and communities.

"They will be remembered long after all of us are long gone," he said.

Exam papers sale to Italy claimed

By Clive Cookson

Cardiff University has appointed a retired judge, Mr Norman Francis, to investigate allegations that examination papers from its business school were sold in advance to students in Italy last year.

Mr Francis is looking into the links between Cardiff Business School and the European Business School in Parma.

In 1992 the University of Wales – a federal institution of which Cardiff is the largest part – agreed to validate Parma's business studies degree. Last year the founders of EBS lost control of the business school to a group of parents, at least some of whom were alleged to have Mafia connections.

Mr Rhodri Morgan, Labour MP for Cardiff West, who has campaigned for a full judicial investigation, said yesterday he was concerned that the inquiry by Mr Francis would not be powerful enough to discover the extent of alleged bribery and corruption.

"If he only takes written evidence, some people particularly in Italy will be too frightened to take part," he said.

"I have asked the university to organise oral sessions in Parma and Cardiff."

Mr Morgan said there was some truth in the controversial claim by Mr Michael Portillo, chief secretary to the Treasury, last month that Britain was one of the few countries where degrees could not be bought.

"In Spain and Italy there's some circumstantial evidence that Portillo may have been right," he said.

"Now a shortage of money may be forcing good British universities to offer substandard degrees in other countries."

Britain in brief

Accountancy bodies set for shake-up

The UK's six leading accountancy bodies have agreed in principle to a radical restructuring of their operations in a move that could lead to merger, giving more than 200,000 members of the profession the right to call themselves chartered accountants.

In a public statement expected next week, the six professional bodies plan to announce principles leading to rationalisation. Details of the agreement, developed by a sub-committee chaired by Mr David Bishop of KPMG Peat Marwick, are still being finalised.

The statement is expected to say that all the bodies accept the need for change, and to set out a series of objectives for the accountancy profession into the next century.

Asylum policy faces challenge

Britain's policy of detaining political asylum seekers while their applications are reviewed is this week facing its strongest challenge.

All but 20 of the 200 detainees in the detention centre at Campsfield, outside Oxford, are on hunger strike, and the protest is believed to be spreading to other centres such as Haslar prison near Portsmouth. Over 600 asylum seekers are detained around the country.

The hunger strikers, from countries as far apart as Colombia, Zaire and Romania, are demanding to be set free while their cases are examined. Some claim to have been detained for over a year.

Mr Charles Wardle, immigration minister, has said that "a tiny proportion" of asylum seekers are detained, "if they don't comply with restrictions while they are here." The Campsfield detainees say they have been offered no alternative to detention, other than immediate deportation.

Crime 'cost retailers £2bn'

Crime cost UK retailers £2.3bn in the year 1992-93, with about 30 per cent perpetrated by shop staff, a report published today by Nene College School of Business shows.

The report, sponsored by Boots, Dixons, Tesco, Entertainment UK, Barclaycard and US security systems manufacturer Sensormatic, is based on reports provided by retailers responsible for almost a quarter of UK retail sales.

The report found that "ordinary theft" by customers, staff and suppliers totalled £1,916m – more than the BRC's figure of about £1,400m – with other forms of robbery and crime accounting for £377m.

Employee theft accounted for about £690m, or just over 30 per cent of losses, while customer theft totalled £1bn, or 43 per cent.

£2m theft of computer chips

Computer memory chips worth £2.3m were stolen over the weekend from a electronics company in Renfrewshire, Scotland.

The raid on the Haven Products factory in Greenock is believed to be the largest in a series of chip thefts throughout Europe in recent months.

The stolen chips came from several manufacturers and were waiting to be used in computer devices such as add-on memories.

One of Haven's largest customers is the IBM computer factory in Greenock and it is believed the stolen chips were destined for IBM products.

Hotel recovery 'inconsistent'

Recovery in the UK hotels business is "patchy and inconsistent", according to a survey yesterday from tourism consultants Horwath Consulting.

Higher-priced hotels in London (those charging £56-£85.50 a room) were busier last year than in 1992, with occupancy rising from 53 per cent to 57 per cent, but average room occupancy in England in 1993 was 48 per cent, the same as in 1992. The overall London occupancy figure was 56 per cent (57 per cent in 1992).

Judy Dempsey takes to the road in eastern Germany

Autobahn etiquette

Planning to do business in eastern Germany that requires a lot of time on the road? Then get up early and hit the autobahn at 5am. If you don't, you will end up sitting in traffic jams.

Just like the capital Berlin, the roads in eastern Germany are virtual building sites. Teams of diggers, bulldozers and cranes stretch along the motorways to Leipzig, Dresden, Rostock and Erfurt. More than DM80bn (£31bn) is being spent on upgrading the region's infrastructure. By 1996, it should be bliss to drive in eastern Germany - but that is of little comfort to those using the roads today.

There are three golden rules for road users to remember, and some local habits to bear in mind.

First, listen to the radio. The local radio stations for Berlin, Brandenburg and all the other eastern states provide the best travel information. Their traffic service people often fly over the motorways in helicopters, relaying news of the latest accident or roadworks. Take them seriously: they will tell you which side roads to take.

The side roads run through small, cobble-stoned villages and towns. The only problem is that, without warning, you are likely to come across a small yellow sign with black lettering saying *Umleitung*, or diversion.

These diversions are a bit like a long German sentence. You have to drive miles for the verb.

If you have time, you can get an extraordinary glimpse of rural eastern Germany: the slow pace of life has no comparison in the west. You will also see a great deal of construction taking place, with former owners, *ossies* (east Germans) and *wessies* (western Germans), renovating the houses.

The second rule is adhere to the speed limits. West Germans, brought up with no limits and fast cars, must be heavily subsidising the eastern road-building programme from the fines meted out to them.

There are few cameras monitoring speed - except for a few miles outside Berlin and particularly on the two-lane motorway from Berlin via Magdeburg to Wolfburg, the headquarters of Volkswagen. But don't be deceived. The police are *überall*. Unless you have a hired car, sooner or later a summons will land on your desk.

And the penalties are stiff. You are fined DM1 for every kilometre over the speed limit, *and* DM1 for every kilometre of the speed limit. If you exceed the maximum 130km per hour, your licence could be confiscated.

The third rule is to leave enough time. Do not believe your colleagues when they say it will take only two hours to reach Rostock, or less than three hours to reach Dresden from Berlin. Stretches of motorway are often reduced to single-lane or narrow double-lane traffic, and even these roads are bumpy. The speed limit is often 60km an hour, sometimes even 40km, and lasts for about 25km. Even if you have a trouble-free drive, it can take an hour to get from the motorway to the centre of some main cities.

Ashley Ashwood

Jamming: drivers stretch their legs during a traffic hold-up in east Germany

A case in point is Leipzig, Saxony, which is set to become one of the most prosperous cities in eastern Germany. As you turn off the E51, or number 9 motorway, towards the centre, you will see that hardly a patch of grass has been left unturned. Investors, with their armies of construction workers, are building shopping centres, garages and factories. This has attracted an unprecedented amount of traffic – and *Umleitungen*.

Unless you really know the small side roads and streets into the centre, follow the signs. Whether you should also follow the local driving traditions is another matter. West German drivers are not known for their patience or courtesy. They rarely give way. They have little time for the *ossies* driving their two-stroke engine Trabants. If you take pity on a Trabby driver, who has been waiting an era to pull out of a side street, the chances are the BMW driver behind you will hoot loudly, flash the lights, and speed past you at the first opportunity with a snarl.

One of the few former East German laws that have been incorporated into new regulations is that you do *not* have to stop at traffic lights leading right on to a main road, if there is a little green arrow beside the lights. The trouble is that west Germans still wait at the lights, while the *ossies* behind quietly fume. Perhaps a hoot is in order?

Despite all these drawbacks, there are many positive aspects to driving in eastern Germany. Apart from the scenery - particularly through the lush plains of the northern state of Mecklenburg-western Pomerania - you actually see the progress being made. For example, the roadworks at Zehlendorf, the former border crossing from west Berlin into eastern Germany, have finished. And the stretch of motorway along the E13 just before Dresden is complete.

Above all, once you reach your destination, you'll no longer have to face the drab, communist-style hotels, where receptionists said they were full when they were empty, and waitresses said the restaurants were packed as the loud band played to a few weary travellers. You'll no longer have to wonder about the availability of phones and faxes. In fact, it will almost have been worth setting out at 5am.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	8	10	14	12	9
Hong Kong	18	20	22	21	21
London	16	11	10	10	10
Frankfurt	15	13	11	11	9
New York	8	9	5	3	7
L. Angeles	26	24	22	19	20
Milan	20	21	21	20	16
Paris	16	15	13	11	12
Zurich	17	16	13	13	16

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Tourists attacked in Egypt

Suspected Moslem militants fired at a tourist boat on the river Nile yesterday, as security forces took a tight grip on the rest of Egypt as Moslems celebrated the end of the holy month of Ramadan, Reuter reports from Cairo.

No one was injured in the attack on the cruiser, which took place near the Moslem fundamentalist stronghold of Assiut, 320 km south of Cairo. The militant Gama'a *al-Islamiya group has claimed* responsibility for eight previous attacks on Nile cruisers.

In Assiut itself, a stronghold of the Gama'a, security forces prevented the group from holding a mass gathering at the dawn prayers marking the end of the month-long fast of Ramadan.

Polish flights

The Polish airline LOT's first passenger flight to London for four months left Warsaw yesterday following the resolution of a flight-allocation feud with British Airways.

Under an agreement announced earlier this month, each airline has been allotted nine flights a week during the winter season ending March 26 and up to 15 flights a week during the summer season.

The two carriers will each have 12 flights a week between the end of March and the peak summer season (June to August) when three additional flights will be added.

The Anglo-Polish dispute erupted last October when Warsaw refused British Airways permission to double *its number of flights between* the two countries. London retaliated by banning LOT flights to Britain, and Poland replied in kind.

LOT business manager Jan Mich said the airline had lost about $1 million in ticket revenues during the dispute.

South Africa

The number of visitors travelling to South Africa rose by 10.5 per cent to 618,000 last year despite the rise in violence in the run up to the elections.

US aircraft

Aircraft parts of questionable design and quality are in common use in aircraft repair shops approved by the Federal Aviation Administration throughout the US according to a government report issued last week.

Sizing up Sydney

Kate Bevan explains how to get around the city

Sydney: the business district overlooks the opera house

Like Captain Cook and the convicts who followed him, the modern traveller's point of entry to *Sydney is Botany Bay*. The runway of Kingsford Smith airport, 8km south of the city's business and tourism centre, juts into the bay.

Although the journey to Australia is much faster than in Cook's day, getting out of the airport can be slow. The international terminal is overstretched, and luggage may take some time to reach the reclaim hall.

Expect customs officials to ask suspicious questions about everything of an organic or edible nature that might be in your luggage, particularly if you've arrived from Asia - although travellers are no longer greeted with flight attendants spraying their aircraft with insecticide.

Many travellers smuggle pots of Marmite through customs for pining British expats, but if these are found they will be confiscated and you will be heavily fined.

Luggage trolleys can only be freed from their ranks with A$2 coins - so break into a note on the aircraft.

The business and tourist areas are concentrated in the oldest part of the city, much of which has views of the harbour bridge and the opera house, although the suburbs sprawl in all directions around the harbour. Most business travellers will stay and work in that central downtown area.

The efficient transit system boasts two bus services from the airport, running from the international terminal via the two domestic terminals into the city. Information leaflets at the airport will help you decide which route to take.

The first service, Route 300, goes to the Central railway station through the business district and then on to Circular Quay, the central ferry wharf for harbourside suburbs. Route 350 runs via Central station through Kings Cross, east of the business district. Look after your belongings in Kings Cross at night. The trip on either bus costs A$5 (£2.40), or A$8 for a return ticket, and should take about 30 minutes.

There are also a couple of privately operated bus services which run to city-centre hotels and those in the new tourist complex at Darling Harbour, which is not on the airport bus routes.

However, if your destination is outside the central business district, you will find yourself dragging luggage on to connecting services. Sydney's CityRail connections cover most of the city south of the harbour and a line runs to North Sydney, a growing business district north of the harbour bridge. The best place to make your connection is Central station, where both airport bus services call, or Wynyard station, also the main interchange for commuter buses.

Otherwise, it is worth using the cheap ferries to get to harbour-side suburbs. They all start from Circular Quay, which is simple to use and has clear signposting.

Bus services to and around the north shore from Wynyard station are frequent, but travellers with heavy luggage might consider getting the airport bus to Circular Quay - the nearest point to the water - and then getting a taxi across the bridge or through the harbour tunnel.

Taxis are plentiful into the city and will set you back about A$20 from the airport for a trip south of the harbour bridge or tunnel. Taxi drivers expect *single passengers to sit* in the front with them and, although tipping is not the custom in Australia, they won't be averse to accepting one.

For getting around the city, several travel passes are available based on the rather confusing zone system, as well as the Sydney Pass, which is valid for three, five or seven days and costs from A$50. That covers all the city buses and ferries - but not the trains - as well as some tourist buses, plus your return fare on the airport bus. You can buy a pass when you arrive at the airport, on the airport bus, or at various locations around the city.

Transport around the city is tightly regulated and efficient. But you are on your own if you hit the tourist trail - dozens of unregulated operators are willing to relieve you of your dollars for a spin around the harbour or a cuddle with a koala.

Good omens for MCA

A "minimal" increase in the combined fee income of members of the Management Consultancies Association in 1993 masked an encouraging final quarter for the industry.

According to Brian O'Rorke, executive director of the MCA, the return to what he called "pre-recession" income levels in the last three months was "a good omen for the coming year". Total fee income in 1993 for the MCA's 34 members, which account for more than half the fee-earning management consultancy in the UK, amounted to £868m.

Information technology work was again by far the biggest income contributor, with financial and administrative systems and production and services management in second and third places. Overseas earnings, largely thanks to work elsewhere in the European Union, rose by 6 per cent.

While last week's figures give cause for optimism, MCA president Keith Burgess, who is managing partner of Andersen Consulting UK, also highlighted a few concerns.

Referring to complaints by companies that consultants are too expensive, he urged members "to ensure that all our deliverables are measurable and that improvements to our clients' operations are real and tangible . . . We should learn to quantify results, so notions of imprecise benefits resulting from consultants' work become a thing of the past".

Burgess also made a pointed reference to sole practitioners, whose numbers have swelled in recent years and who by many accounts are providing significant competition at the margin for bigger firms. "Unlike sole practitioners we [MCA members] are able to provide the knowledge capital of our organisations, the development and education of our people and financial back-up to the work we undertake. The contribution of a consulting firm is more than the sum of the individuals who work in it."

Tim Dickson

After Digital's big job cuts in Europe, **Alan Cane** explains the company's plans to revamp its distribution

Tuning the channel

The problems faced by Digital Equipment, once second only to International Business Machines as a computer manufacturer, are brutally clear. It is losing money, its sales are declining, and it is supporting a cost structure several percentage points higher than the market can afford.

Across the world, Digital is seeking its salvation through cost cutting, successful sales of its "Alpha" chip, the world's fastest microprocessor, and market acceptance of the company's approach to "client-server" systems, which customers are beginning to favour over older, centralised approaches to data processing.

But in Europe the company's hopes are pinned on a specific plan which involves a fundamental shift in its approach to distributors, software houses and systems integrators, the "business partners" who sell Digital computers directly to customers, adding value in the form of special software and services.

Digital's problems are particularly acute in Europe which now provides about 50 per cent of its global revenues. In a frank report in the company's *European newsletter* last month Ed Lucente, corporate vice president for sales and marketing, warned top managers that Digital faced its toughest third and fourth quarters: this after two years with only one quarter in profit. He said: "We are being outgunned in the marketplace."

The plan to put this right has been put in place by Vincenzo Damiani, a 53-year-old former IBM senior executive who became the company's president at the beginning of the year.

It will involve substantial restructuring. Some 6,000 of the European organisation's 29,000 employees will be made redundant this year. Analyses carried out by special project teams have suggested that Digital's productivity is half the industry average.

Digital has made many mistakes over the past decade. It was slow to understand that personal computers would become the dominant force in the industry. It was slow to realise that high-powered workstations would form the basis of client-server computing. Worst of all it failed to manage its distribution channels in a consistent fashion.

The trouble is that the business model for success in the computer industry has changed irrevocably. In the heyday of the mainframe, a small number of major manufacturers sold computers commanding high gross profit margins to their customers through big, expensive direct sales forces. Customers wrote their own software or hired software companies to do it for them.

Damiani: his strategy must work if Digital is to survive as a force in data processing

Today, the profit margin on hardware is too slim to support such an expensive structure and the relative importance of business partners – the "channel" – has grown enormously. Channel partners not only distribute hardware but sell packaged software, help customers develop their own programs and work with them on installing complex networks.

What is necessary for successful channel management? First, a sensible discount structure so the channel can make reasonable profits. IBM, which has had to learn about channel management just as painfully as Digital, was criticised by distributors until recently for pricing policies which made it difficult for them to make money.

Second, a guarantee that the manufacturer will not compete with the distributor or systems house either by selling directly or by developing customer software. The spectacular growth of Compaq, the world's leading high-performance personal computer manufacturer, was helped by a policy of selling only through distributors.

Third, manufacturer and channel must work together to their mutual benefit, agreeing, for example, joint investment in product promotions.

It is no exaggeration to say that a computer company's success today is likely to be directly proportional to its ability to manage its channel relationships. This is particularly true of smaller customers (expensive to reach through a direct salesforce), who will look to distributors and resellers for systems and service. Europe's 2m to 3m smaller customers are nevertheless the best hope for growth, so it is worrying for Digital that its products are represented in only about 20,000 to 30,000 of them.

Enrico Pesatori, general manager of Digital's personal computer business unit, admits that the company has "never had a rational or coherent approach to our channel partners". Damiani says: "The nub is how well we do in future with our partners. You have to complement rather than antagonise".

He refers continually to working *with* partners rather than *through* them, and insists this is more than mere semantics: "To work *through* partners gives a very clear idea that the two parties are not working at the same level," he chides. "We must select partners with care. We should not have hundreds, but only the ones we need."

The plan, which Damiani dubs his "Go to Market" strategy, has three elements. First, Digital's 500 or so key European accounts will be managed directly by account executives. They will represent Digital to their customers and have the responsibility for making the customer's voice heard within the organisation. The success of these account executives will be measured on the percentage that Digital takes of the customer's total data processing budget, no matter what channel is used.

Second, the small to medium company market will be served by a combination of the direct sales force and channel partners. The principal aim here will be to persuade customers to move to systems based on Digital's Alpha chip. Attracting new customers will depend on strong relationships with software houses and value-added resellers.

Third, the large piece of the market represented by very small enterprises and individuals will be directly managed by distributors and the larger value-added resellers.

Damiani's plan for Digital's European business partners is a model of the way the company must transform itself globally if it is to survive as a force in data processing. Pesatori is in no doubt the partners must believe Digital has changed: "This time," he says, "we have to persuade them we are for real."

New route to the top position

Richard Donkin on a report that predicts personnel directors' increasing clout in the boardroom

Personnel as a corporate function has changed radically in the past 10 to 15 years from a comparatively low-grade advisory position to one that fills a strategic role in business management.

Who says so? Personnel experts do, perhaps not surprisingly, in an attitude survey* carried out by Spencer Stuart, the headhunting company.

The survey, which quotes anonymously from some of the leading experts in the field, suggests that the role has evolved markedly in recent years to the point where it is now being treated as vital in many boardrooms.

In line with its greater importance, however, there has been a streamlining of personnel management and more frequent farming out to contractors of several personnel responsibilities.

"Narrow personnel specialists in areas such as training, remuneration, pensions and selection will increasingly be outside the company," it says, leaving those personnel directors who survive at the core of the organisation to assume more general responsibilities in the future.

The report says that while it has been exceptional for personnel directors to become chairman in the past, it will become more common as they gain the breadth of experience that will make them candidates for the job.

Is this wishful thinking? Certainly, there is a consistency in the comments collected in the interviews. One executive said: "Personnel people are now much more part of running the business. They are getting credit for understanding the business and some will eventually end up running it."

Another argument was that the best personnel official was in a position to see the totality of the organisation. "Personnel has the unique opportunity to see across all business lines, in a way that even finance cannot," observed one respondent.

The comments appear to reflect a recognition that people are now considered to be the most valuable assets of many businesses. Perhaps this has long been the case but it is only comparatively recently that senior executives have been saying so and addressing what this means in terms of corporate strategy and organisation.

Among the findings in the report was a deep resistance to the term "human resource manager". Many saw it as meaningless American jargon, reflecting a ruthless manipulative approach towards people. Others saw it as distinguishing the new-style strategist from the old-style professional involved in caring and looking after people. Some pointed out that personnel had a very limited meaning in the US.

'Personnel has the unique opportunity to see across all business lines, in a way that even finance cannot'

Whatever the nomenclature, the general feeling was that if personnel responsibilities were only administrative there was no justification for a personnel manager taking a seat on the board. A boardroom personnel role involved defining, inspiring and guiding organisational change, said the respondents.

Nigel Dyckhoff, the Spencer Stuart partner who compiled the report, says: "The main conclusion is that whereas 10 or 15 years ago we were talking about personnel as an advisory function, in 10 years' time it will probably be the best way to the top. It is moving from a caring job to a strategic job."

**Point of View, Spencer Stuart and Associates, 16 Connaught Place, London W2 2ED. Telephone 071 493 1238.*

THE MONDAY

People page

Survivor in a youth industry

Peter Bonfield tells **Lucy Kellaway** why he is content to grow older with ICL

If Peter Bonfield, chairman of ICL, could be anyone in the world who would he choose? The younger and richer Bill Gates? The head of Fujitsu, ICL's parent company?

Far from it: Bonfield's hero is veteran guitarist Eric Clapton. He loves the music, admires the man, and even copies his taste in footwear with a pair of Timberland boots.

At Clapton's concert in the Albert Hall last month, the chairman of ICL was to be seen clapping and stomping at the front while his guests watched at a polite distance in the corporate box.

Both Clapton and Bonfield are Peter Pan figures in their professions. This year the businessman celebrates his 50th birthday and his tenth anniversary running ICL, making him – like the guitarist – a successful elderly survivor in a youth industry.

What Bonfield admires most about Clapton is his ability to change. That, too, is what he is most proud of in his decade at ICL. On Wednesday the company will announce results that will show ICL is still outrunning most of the European competition.

The day I met him in his unassuming Putney office he was not wearing his Timberland boots, but was looking a dapper Jack the Lad in a pair of woven black leather shoes and double breasted suit. Neither was he jumping up and down, but sitting bolt upright on the edge of his sofa, answering questions briefly, directly and openly.

In his lapel he was wearing a little enamel badge with a tick – a sign of ICL's commitment to quality and part of the uniform of the ICL manager. Bonfield is never without his badge – or almost never. When, at a recent weekend ICL brainstorming conference, he turned up for breakfast without it, he was challenged by his colleagues. "I forgot to take it off my pyjamas," he said.

It was a joke, but only just. Bonfield takes this sort of thing very seriously. Total Quality Management, benchmarking, empowerment, investing in people...every good practice in the management book – you name it, Bonfield embraces it.

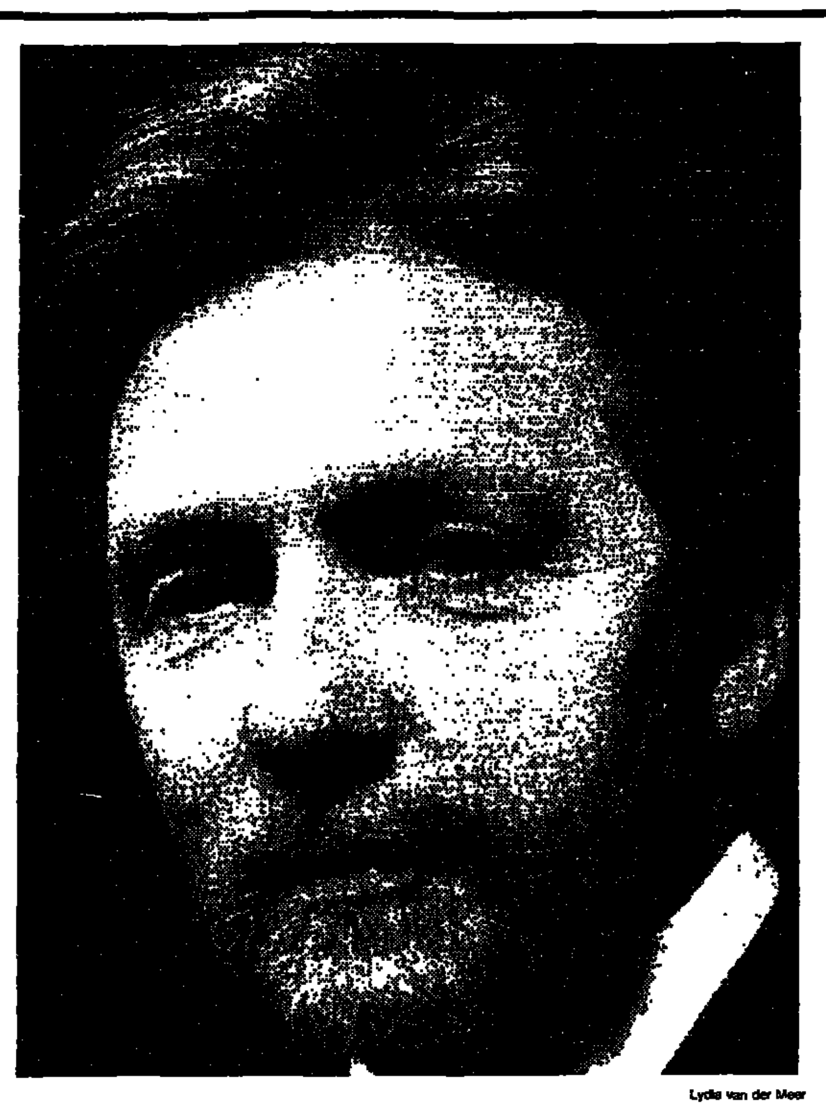
He is a classic workaholic – working punishingly long days, weekends, and almost never taking holidays. He says he feels no stress: he just loves the job. When he is not working he is running or peddling furiously away on his exercise bike. And when he is not doing that he is asleep. Is he, I wonder, like Margaret Thatcher, the kind of person who thrives on just five hours sleep a night? "Oh no. I'm not like Margaret Thatcher at all," he says, his face deadpan but eyes shining to suggest he has made a joke. "I'm a quite different person."

His wife, also a fitness freak, sees him seldom, although last year they did go whitewater rafting together. It was his first holiday in a decade, and was such a success that Bonfield may even take a few days off this year to take her for a climb up Ben Nevis.

A man who sets such high standards for himself might be expected to be a nightmare to work for. Especially one who unfailingly takes the tough decision – most famously he closed down the factory in which his own father worked. Yet even those who by rights should dislike him speak as if Bonfield is their best friend. "Peter is a visionary," says Professor Garry Hunt, an ex-director of ICL who lost his job in a reshuffle. "He's got respect in the industry."

Even trade unionists who have quarrelled with ICL over its attempts to push them out of the picture feel admiration for the company's chief. "He understands the importance of high technology and the need to promote it to a wider audience," says Larry Brooke of the MSF manufacturing union.

Bonfield makes it his business to be involved in industry matters beyond the corporate confines of ICL. He is on the board of the British Quality Foundation, is a member of an EU technology task force, and (unusually for a British businessman) sits on the board of various US and European companies.



Lydia van der Meer

He says – half seriously – that when he became managing director of ICL at 39 he was already "getting on a bit", and ten years later he refers to himself as an "old grey beard". The key to survival in the business is to be "very fast-moving, very international and very flexible. If you've got those it doesn't matter how old you are".

Bonfield appears to have all three traits. This south Londoner with his flat vowels is one of Britain's most international businessmen. After university he spent ten years working for Texas Instruments in the US, which he says shifted his focus forever. "The thing that really changed me was that six months out of university I was running a team in Dallas. My mates were still in digs in Leicester." At ICL he has been immersed in the European computer market, and since 1990 he has been running a company 80 per cent-owned by the Japanese.

Even though he can't speak Japanese, (he admits to being barely able to speak French) he goes down well in Japan. Contrary to the popular fear that Fujitsu would swamp ICL, Bonfield has continued to run the company autonomously. "A lot of people wouldn't believe that Fujitsu has dumped $1.3bn into this company and left me to run it," he says. Part of the reason is that ICL has performed, making profits when almost every other European computer company was making losses. But it is also due to a personal affinity between Bonfield and his Japanese bosses. He says his approach to business is similar to theirs. Both, he says, are "open, transparent, trusting, and think in a long-term strategic way".

The flip side of his success is the danger that he has made himself too important to the company and its relationship with its parent. Hunt argues that his one serious mistake is not to have paid enough attention to grooming successors.

The problem is made worse by the fact that Bonfield combines the roles of chairman and chief executive, thus committing a serious sin of the modern boardroom. He excuses himself by arguing that with two major shareholders breathing down his neck there is no shortage of checks and balances.

That would change if the company fulfils its ambition and floats on the stockmarket, in which case the roles would be split. Bonfield has hinted in the past that he might go when the company floats, but that possibility is receding. "I'd never float the company and run off," he says.

Personae . . .

Calvin Klein takes strides to Europe

By Lucia van der Post

Calvin Klein, the American designer so beloved by the well heeled, has just woken up to the fact that Europe is big and rich and he can't think why he neglected it for so long.

"I just had no idea my ranges would be so successful," he says. "I've lived most of my life in New York and I design for the women I know. I thought this sort of modern, working, liberated woman was mainly found on my side of the Atlantic. What I have discovered to my great surprise is that women all over the world now want to dress that way."

Calvin Klein's life has clearly been full of lovely surprises. Underwear was another. He had no idea it would be so big. In the first year (November 1983-1984) that his underwear designs hit the stores, women bought some $70m worth of fly-front boxer shorts, briefs with white elastic bands, and assorted T-shirts. Nobody, not even Calvin predicted that. "I just tried to take it beyond the classic and the predictable, to give it more meaning. So now people lounge in it, swim in it, go out in it." And, he might have added, leave the tops of their jeans undone so that their excellent taste in underwear can be more widely noted. The other day he sold the underwear company to Warnaco for nearly $70m.

Fragrance was another of his happy surprises. His fragrance business, owned by Unilever, does "half a billion dollars a year in the US & Europe." That is nothing like as large as the fragrance businesses of cosmetic houses such as Estée Lauder or Revlon but it is big business for a single American designer.

A less happy surprise was the financial difficulty in which he found himself in 1993 when David Geffen, the Hollywood producer and a long-time fan, rescued him by buying up some long-term debt "because Calvin was having trouble with repayment of the principal."

The sticky moment seems past. Expansion is on Klein's mind. He plans to open his Calvin Klein shops in almost all major cities (St. Moritz, Barcelona and Zurich have got them – Geneva, Hong Kong, Singapore are on the drawing-board, London, Paris and Milan are being considered). In addition he wants to manufacture in Europe, which could bring his prices down by some 25 per cent. Given that a suit from his top range, The Collection, costs about £1,200, and a sweater some £350, this would seem a good move. As he puts it, "if they are selling now at those prices, imagine the business we could do if we can get them down."

The financial dimensions of Klein's business are hard

to establish. The holding company is privately owned; figures are a matter of guesswork. Calvin Klein himself professes not to keep track of these details. Fortune magazine estimated in 1981 that his personal annual income before tax was some $8.5m. The Calvin Klein organisation says its worldwide sales at wholesale prices are more than $1bn a year, including licensed products.

Klein is 51-years-old, tall and thin with the air of a slightly rumpled, world-weary Yves Montand. Then he starts to talk and he couldn't be anything but a New Yorker. He has considerable charm and knows it.

Born in the Bronx he was fascinated by clothes from an early age and started to sketch them at five. In 1969 he produced a small collection of six coats and three dresses which by accident were seen by a Bonwit Teller buyer. From that moment his career took off. Like all the most commercially successful designers he has a business partner, Barry Schwartz, a childhood friend who gave him the £2,000 he needed to launch himself and who is credited with much of the business acumen.

Klein has a clear idea of his ultimate customer. "I don't design for trophy wives or the woman who likes to decorate herself for her man. I dress the woman who is very busy. She has a job and children and boardroom meetings and lunches. She goes out to the theatre or to see friends. For this she needs clothes but clothes that are soft, easy, comfortable."

In common with Armani, with whom his clothes are often compared, he carries the cult of simplicity to almost oppressive lengths. The girls in their entourages are almost interchangeable – open-faced, bare of make-up, simply cut shining hair, no nail-polish and sober colours (navy-blue, charcoal grey, black) comprise the prevailing aesthetic.

His work exemplifies certain truths about fashion. While fashion may be about change, truly beautiful clothes need no adornment. Where there is fine cut no tricks are needed.

To the charge that he is not a genuinely creative designer Calvin Klein suggests that what he offers may be subtle but is not without innovation.

"I give women a reason to buy something new by using a new fabric, a new shape, a new combination, new colours – but the philosophy behind the clothing never changes." All through the eighties when many were producing what he called "frankly trashy clothes" he went on doing his own thing. "I don't know how to do anything else," he says. When it comes to menswear he designs the sort of clothes he likes to wear himself. "They should, above all, be comfortable."

In the week after the fashion industry has been short of inspiration, beauty and glamour, it might give the international catwalk kings and queens, cause to reflect that while their models are strutting about in furry G-strings and lycra-stretch mini-skirts, Calvin Klein is doing great business by offering cool, sober, classic clothes that speak of class and that fit effortlessly into the lives of women the world over.

THE WEEK AHEAD

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Alliance Trust
BSM Group
Calderburn
Costain Group
English China Clays
Fairey Group
Greggs
Guinness Peat Group
JIB Group
Jourdan (Thomas)
Medeva
Merchants Trust
Persimmon
Rugby Group
Scotia Hldgs.
Spring Ram Corp.
Stag Furniture Hldgs.
Watmoughs (Hldgs.)
Interims:
Automagic Hldgs.
European Leisure
MAI

■ TOMORROW
COMPANY MEETINGS:
City Site Estates, Forte Crest Hotel, Bothwell Street, Glasgow. 11.30
Division Group, Hilton International Hotel, Redcliff Way, Bristol. 12.00
Osprey Communications, Osprey House, 10 Little Portland Street, W., 10.30
Witan Inv. Co., Royal Horticultural Hall, Vincent Square, S.W. 7.00
BOARD MEETINGS:
Finals:
Broadcastle
Church & Co.
Crockfords
Delta
Emess
Evans Halshaw Hldgs.
Fleming Fledgeling I.T.
Graseby
Hampden Group
Heywood Williams Group
Jones (A.) & Sons
Lionheart
Marley
Mirror Group Newspapers
Rea Brothers Group
Saatchi & Saatchi
Schroders
Seafield Resources
Wassall
Williams Hldgs.
Interims:
Castle Communications
Everest Foods
Foreign & Colonial High Income
Paterson Zochonis
Scholes Group
Wolseley

■ WEDNESDAY MARCH 16
COMPANY MEETINGS:
Inoco, St. Clements House, 2-16 Colegate, Norwich, 10.00
London Scottish Bank, St. James' Club, St. James' House, Charlotte Street, Manchester. 12.00
Lovell (Y.J.), Stationers' Hall, Ave Maria Lane, E.C. 12.00
BOARD MEETINGS:
Finals:
British Mohair Hldgs.
Britton Group
CU Environmental Tst.
Chieftain Group
Coats Viyella
EFM Dragon Tst.
EFT Group
Ind. Insurance Group
Murray Euro Inv. Tst.
Nichols (JN) (Vimto)
Premier Cons. Oilfields
Reed Intl.
Rentokil Group
Sleepy Kids
Spandex
Specialeyes
Telspec
Trade Indemnity
WSP Group
Interims:
Attwoods
Guinness
Merivale Moore
Minorco
Wescol Group
Zambia Copper Inv.

■ THURSDAY MARCH 17
COMPANY MEETINGS:
Brunner Inv. Tst., 10 Fenchurch Street, E.C. 12.45
Cardiff Property, 56 Station Road, Egham, Surrey, 12.00
Hotspur Investments, 12 Tokenhouse Yard, E.C. 12.00
Selective Assets Trust, 1 Charlotte Square, Edinburgh, 12.30
BOARD MEETINGS:
Finals:
Arjo Wiggins Appleton
Baynes (Charles)
Br. Borneo Pet. Syndicate
Cairn Energy
Courtaulds Textiles
Dairy Farm Intl. Hldgs.
Daniels (S.)
Davis Service Group
Dawson Group
Edmond Hldgs.
Elsevier
Gartmore Inv. Tst.
Haden Maclellan Hldgs.
Jupiter Tyndall Group
Kwik-Fit Hldgs.
Legal & General Group
OGC Intl.
Oliver Group
Rosebys
Sanderson Bramall
Travis Perkins
United Biscuits (Hldgs.)
Vinten Group
Interims:
Pochin's

■ FRIDAY MARCH 18
COMPANY MEETINGS:
Davenport Vernon, Bull Hotel, Oxford Road, Gerrards Cross, Bucks., 12.00
Seacon Hldgs., 38 West Ferry Road, E. 12.00
Second Market Investment Co., 13 Southampton Place, W.C. 10.00
BOARD MEETINGS:
Finals:
Arcolectric (Hldgs.)
Argos
Doeflex
Hibernian Group
Molins
Interims:
Allied Leisure
Fortnum & Mason
NM Smaller Australia Co's.
Sirdar

■ SATURDAY MARCH 19
BOARD MEETINGS:
Finals:
Astec (BSR)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Allied-Lyons ADR $0 136
ASLK-CGER Stepped Coupon Gtd. Nts. 1995 £50,000
BankAmerica $0.40
Bank of Ireland Undated FRN Capital Nts. $91.63
British Gas 10¼% Gtd. Bds. 1998 C$101.25
Chase Manhattan FRN Sub. Nts. 2009 $132.71
Crabtree 2p
Fuji Bank Intl. Finance 8¼% Sub. Gtd. 2001 $86,250
General Motors Acceptance Corp. 9⅛% Nts. 1996 $456.25
Honda Motor 6⅞% 1998 Y687,500
Honeywell $0.24
Hongkong & Shanghai Banking Corp. Primary Cap. Undated FRN $63 19
Japan Airlines Co. 7% 1996 Y700,000
Marubeni Intl. Finance 6½% Series A Dual Currency Yen/$ 1997 Y650,000
Do. 6½% Series B Y650,000
Do. Fixed Rate 1996 Y735,000
Do. Variable Rate 1996 Y645,000
Nobo 2p
NORWEB 6.7p
Rugby Gtd. FRN 1997 $13,662.64
Sapporo Breweries FRN 1997 Y584,548
Smith (David S) (Hldgs.) 2.75p
State Bank of New South Wales 10¾% 2002 A$107 50
Temple Court Mortgages (No.2) Class A Multi-Class Mtg. Backed FRN 2031 £146.50
TR Smaller Companies Inv. Tst. 1.5p
Victorian Public Authorities Finance Agency 11% Grd. 2002 A$110
Woolwich Bldg. Society FRN 1994 £136.73
Young's & Co. Brewery 9½% 2018 £4.75

■ TOMORROW
Atlantic Richfield $1.375
Bear Stearns FRN 1994 $89.06
Bradford & Bingley Bldg. Society FRN 1995 £136.96
Brunswick Corp. $0.11
Capital Strategy Fund Ptg. Rd. Pf. (A$ Deposit) A$0.0316
Do. (Australasian Dollar Development Fund) A$0.008
Do (British Fund) 3.34p
Do. (DM Shs) DM0.3045
Do. (Ecu Funding) Ecu0.0713
Do (Emerging Markets) 0.12p
Do. (French Franc Deposit Fund) FFr0.6965
Do (Global Resources) $0.004
Do. (Intl. Bond Fund) $0.0682
Do. (Intl. Growth) $0.0162
Do. (North American) $0.0135
Do. (Pacific Basin) $0.006
Do. (Sterling Shs.) 1.04p
Do. (Sterling Bond) £1.93
Do. (Swiss Franc) SFr0.174
Do. (US Dollar) $0.0187
Do. (Yen Shs) Y7.55
Christiania Bank og Kreditkasse FRN 1997 $263.96
Do. FRN 2001 $163.40
CSX $0 44
Do. Daejan 12p
Dana $0.40
Dover Corp. $0.23
Edinburgh Inv. Tst. 3.65% Cm. Pf. 1.825p
Gartmore American Securities 11⅛% 2014 £5.6875
Gentra FRN 1998 $177.23
Limited $0.09
Louisiana Land & Exploration Co. $0.25
Midland Bank Non-Cm. Dollar Pf. Series A1 $0.355
Do. Non-Cm. Non-Vtg. Dollar Pf. Series A2 $0.08875
Midland Intl Financial Services Gtd. FRN 1999 $251.39
Morrison (Wm.) Supermarkets 5¼% Rd. Cv. Pf. 2.625p
Newcastle Bldg. Society 12⅝% PIBS £63.125
NTT Data Communications Systems Corp. 3.3% 1999 Y87,083
Pennzoil $0.75
Province of Quebec 12¼% Ln. 2020 £6.125
Royal Bank of Canada Fltg. Rate Dbs. 2085 $89.06
Sotheby's Class A Ltd Vtg. $0 06
Spintab FRN 1998 $89.56
Sumitomo Realty & Development Co. 3.05% Nts. 1997 Y80,486
Do. 3.55% 1999 Y93,680
Do. 3.80% 2000 Y100,277
Sweden (Kingdom of) 9¾% Ln. 2014 £487.50
Thomson Corp. $0.113
Time Warner $0.08
Trinova $0.17
Trio Hldgs. 1.5p
TRW $0.47
Whirlpool $0 305

■ WEDNESDAY MARCH 16
Bear Stearns FRN 1996 $93.13
Dixons ADR $0.095
Honda Motor Corp. 3.8% 2001 Y102,389
Leeds Permanent Bldg. Soc. FRN 1998 £137.16
Lloyds Bank Series C Var. Rate Nts. 1998 £147.64
Santander Financial Issuances Undated Var. Rate Nts. $2,578.13
State Bank of New South Wales 8% Bear Nts. 1994 Y8,000,000
Do. 8% Bull Nts. 1994 Y8,000,000
Sumitomo Chemical FRN 1997
United Kingdom 2% Index-Linked Treas. 1996 £2.07
Woolwich Bldg. Society 8% Nts. 1994 $400

■ THURSDAY MARCH 17
BP Capital 9⅛% Nts. 1994 $912.50
Export-Import Bank of Japan 9½% 1999 $475
Hankyu Corp. FRN 1996 Y60,625
Jasmine Tranche A FRN 2003 Y2,181,917
London Scottish Bank 2.37p
Nichimen Fixed to Fltg. Rate Notes 1998 Y68,750
Do. Nissho Iwai 3.40% Fixed to Fltg. Rate Nts. 1998 Y87,833
Pfizer $0.47
Witan Inv. Co. 3.1p

■ FRIDAY MARCH 18
American Intl. Grp. $0.10
Beatrix Mines R0.33
Bracken Mines R0.10
Buffelsfontein Gold Mining R1.65
Cardiff Property 1.65p
Ellis & Everard 2.45p
French (Thomas) & Sons 2.175p
Genbel Invs. R0.10
Gold Intl. Finance Tranche B FRN 2002 Y705,833
Do. Tranche C FRN 2002 Y2,208,849
Grootvlei Proprietary Mines R0.25
Hotspur Invs. 7.5p
Inco $0.10
Itochu Intl. Finance Gtd. Step-Down 1995 Y282,500
Kinross Mines R0.90
Leslie Gold Mines R0.15
St. Helena Gold Mines R1.30
Southvaal Hldgs. R2.70
Stilfontein Gold Mining R0.75
Sumitomo Realty 6.1% Nts. 1998 Y610,000
Do. 6.15% Nts. 1999 Y615,000
Do. 6.2% Nts. 2000 Y620,000
Do. FRN 1998 Y58,361
Tokai Finance (Curacao) Undated FRN Y2,304,932
Trans-Natal Coal Corp. R0.23
Unisel Gold Mines R0.05
Vaal Reefs Exploration & Mining R7.10
Western Deep Levels R3.05
Wintrust 3.3p

■ SATURDAY MARCH 19
Ransomes 5½% Cm. Pf. 1.925p
United Kingdom 11½% Treas. 2001/04 £5.75

■ SUNDAY MARCH 20
United Kingdom 10½% Exch. 2005 £5.25

For three shillings and sixpence in 1951 it was possible to buy *A Pocket Guide to Modern Buildings in London* by Ian McCallum, who was then the editor of the Architectural Review. In this elegant little guide book the author wrote about the buildings of the Festival of Britain beside the Thames.

"On the South Bank particularly can be shown how brilliance, colour, drama, surprise and even prettiness are fully within the range of modern architecture, for so long considered proficient only in the limited field of austere puritanism. For the public this means not only light and warmth but a way of life that has once again some glamour in it – green things, pleasant textures, colours, vistas, urbanities which were once the perquisite of privilege."

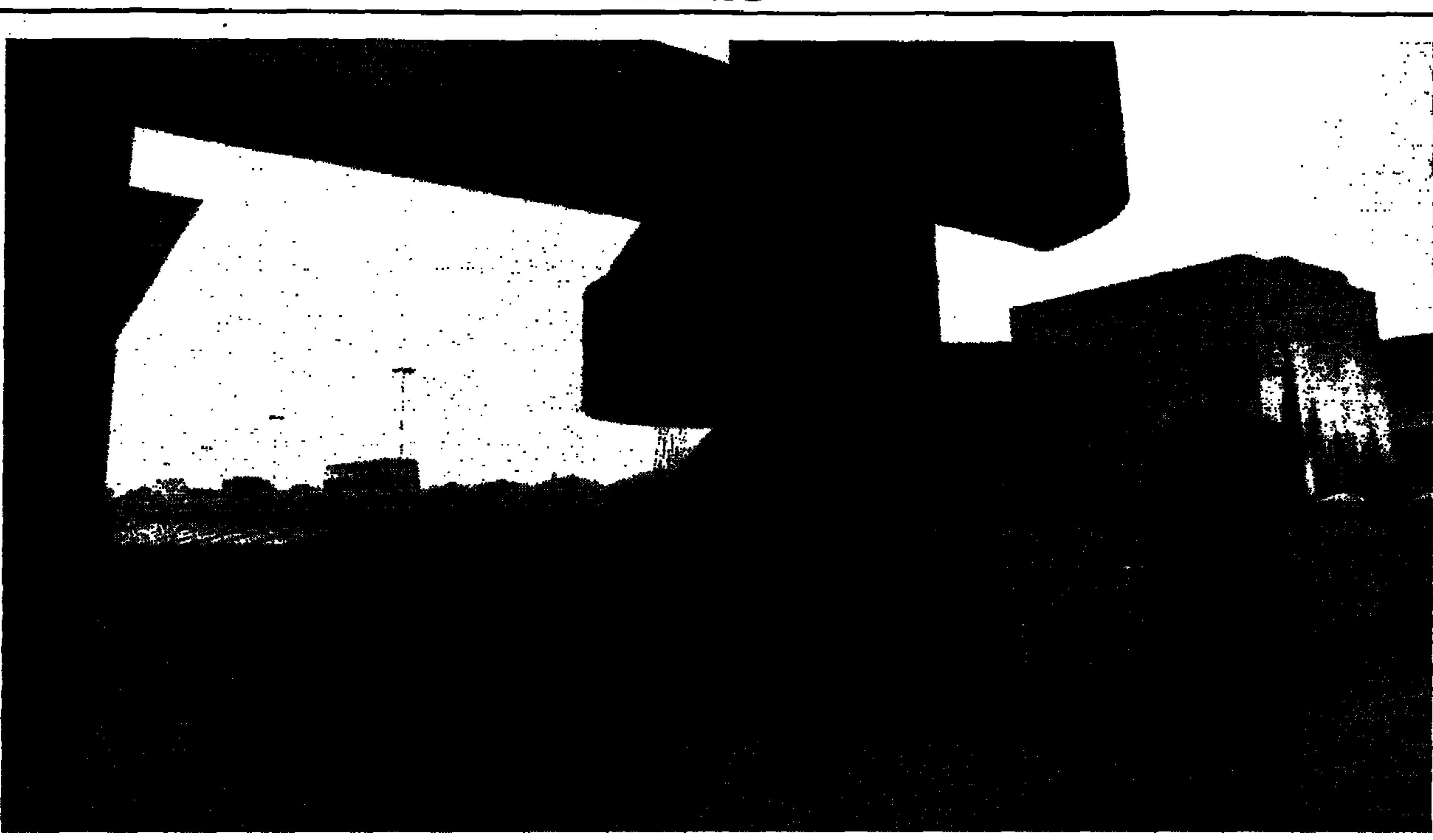
How wrong can you be? The philosophy that informed the Festival of Britain was supposed to extend to the permanent development of the South Bank site once the exhibition buildings had gone and only the Festival Hall remained. Today the South Bank remains untouched by urbanity and, to a large degree, ruthlessly ugly. Although the Royal Festival Hall does remain a distinctive modern building of some quality, there is little else of any merit on the site.

Last week I walked around the whole of the 27 acres, which comes under the control of the South Bank Board, with Nicholas Snowman, the board's chief executive.

The Board has decided under its recently appointed chairman, Sir Brian Corby (chairman of The Prudential), to hold an international competition to find a master planner for the long overdue transformation of the site. My walkabout was a grim experience not unlike a tour of a part of a city that had been partly destroyed in a war and then occupied by a motley group of tramps and culture vultures.

We started our walk by Waterloo station where in a few months the first of the anticipated 15m annual visitors from Europe will emerge from their Channel Tunnel experience. Will they notice any difference as they burrow beneath the railway arches (some of them blitzed or occupied by tramps) and struggle to reach a glimpse of the river? At present it is impossible from ground level to find your way with ease to any of the cultural destinations.

If you stray too far you may well find yourself in the "cardboard city" of the homeless that still disgraces the huge sunken traffic island near Waterloo Bridge. Once you get near to the foothills of the Hayward Gallery, the only real hope you have of reaching the light is by climbing what look like concrete fire escapes leading to the concrete uplands of the world of the walkways. As far as I know no one finds this environment acceptable. Access is confusing and the quality of the public spaces is visually repellent.



Colin Berre

Brutally ugly: concrete 'fire escapes' lead to a grim network of overhead walkways in a 1960s creation which has become an insult to London and its people

A lifeline for the South Bank

The rebuilding of London's riverside arts centre must be uncompromising, says **Colin Amery**

It is worth dwelling for a while on the merits of the three main cultural buildings. First of all the Royal Festival Hall – she sits amidst all this concrete squalor like some faded starlet who has seen better days. She has had her make-up renewed and one or two transplants so that she can keep that air of 1950s refinement and slight apartness from her cruder neighbours. I think people like the old girl because she is not aggressively modern and has a definite sense of style and lightness. Nowadays she has to carry the burden of being a Grade I listed building – and it is encouraging that her owners see her virtues and are trying to remove some of the detritus of commerce that litters the spacious foyers and detracts from the sense of transparency and light that makes it an intriguing and festive building by day and at night.

Then there are the two ugly sisters – the Hayward Gallery and the Queen Elizabeth Hall. They never got to the ball in 1951 because they were born too late. The tragedy is that they were not aborted. As architecture, they are not only without distinction but they are a product of the 1960s when a cell of LCC/GLC architects thought it was clever and avant-garde to insult both the city and the public by the erection of monsters. The present regime at the South Bank Board and their immediate predecessors seem prepared to tread the path of mere expediency. They feel they have to try to do something to improve these horror buildings simply because they are there.

There is only one solution to humanise that part of the South Bank and that is to destroy these vile creatures of the 1960s by demolition. Only then can the true value of the site be appreciated again and only then can a master plan of any real civic value be achieved.

Today is the last day for any architect, designer or urban planner in the world to submit his two sheets of A4 paper about "the role of cultural centres in the 21st century". Their names will be vetted by a pretty sinister committee of taste that comprises eight people – four of them part of the South Bank Centre; three architects and an artist. The architects are Eldred Evans (designer with her husband of the St. Ives Tate Gallery); Alan Stanton, a good exhibition designer who is currently sadly wrecking the Ashmolean in Oxford; and the amusing and possibly liveliest member of the group, Christian de Portzamparc, a chic favourite of Parisian architectural circles. The artist is an inevitable Turner Prizewinner – Anish Kapoor. I pin my hopes for a sane solution upon the down to earth skills of Sir Brian Corby.

Ten names will be chosen to go ahead and be given the full brief, and by the middle of August three shortlisted "winners" will have produced their schemes for our delectation. Will the public have any involvement? These decisions are too important to be left to an artistic clique.

I do not feel that the South Bank Board realises that so much of the site has to be completely rethought. The monsters have to be taken away to some Jurassic Park for architectural relics and a major town planning exercise must be carried out that involves the whole capital city.

New bridges, new Tate Galleries, new sport facilities, and above all new landscaping and new thinking about cultural ghettos are essential if some feeble compromise of expediency is to be avoided. The proposed budget is almost pathetically inadequate – of course you can *improve* things for £50m over five years but there is a real danger that British compromise and philistine parsimony will produce a result that lacks real vision and architectural quality. Something more than a few gestures are needed in this graveyard of brutalism.

Opera

Glorious Lulu

Nothing less than a sensational performance can do justice to Alban Berg's great opera *Lulu*, for it is an intrinsically sensational work. So much so, as you may remember, that his widow Helene did her puritanical best to prevent anyone from completing his next-to-last sketches for Act 3: Friedrich Cerha had to carry out his faithful labours in conditions of secrecy. Without that, *Lulu* would have remained an exciting torso, a very black sex-comedy with a whiff of tragedy. The complete version is, as it ought to be, an overwhelming experience.

In the Royal Festival Hall on Friday (and no doubt at Birmingham on Sunday too), *Lulu* was sensational *and* overwhelming. Nobody who heard it will forget it for a long time. With the BBC Symphony and a superbly chosen international cast, Andrew Davis led a scarifying performance. Billed as a "concert performance", it was much more than that.

Most of the singers were veterans of staged *Lulus*. Not only could they do without scores, but they acted their roles to the hilt without props – well, just one pistol – in the long, narrow space in front of the orchestra, something like an allotment planted with microphones at every turn. Somehow Davis managed to keep them vividly audible, while taking full advantage of his exposed band to render Berg's intricate score more transparent than is ever possible from an orchestra-pit.

It sounded glorious: opulent, intensely expressive, horribly affecting. And without stage paraphernalia, we even seemed to *see* the opera with new clarity, unhampered by any producer's "concept"; the gestures and physical interplay were enough. At the centre of it all, of course, was Lulu herself, miraculously incarnated by the American soprano Patricia Wise.

She had everything: liquid silver at the top of the voice (where Berg's demands are almost unnatural), a gleefully indecent gown, the practised manners of a sex-kitten and a subtle way with phrases – but also a mature, comprehensive insight into the role. Though sex-kitten victims are common enough, it is a rare Lulu who can pronounce herself to be nothing more than what men see in her with such poignant, unwinking candour. The role is cruelly taxing, and most Lulus try it on for only a few years; I pray that the Royal Opera will revive its excellent production for Miss Wise with all possible haste.

There were no weak links among the other principals, too numerous to praise as deserved – Wolfgang Schöne dignified and tortured as Lulu's "protector" (and monstrous as Jack the Ripper); Ryszard Karczykowski, Theo Adam and Robin Leggate well-seasoned as luckless Alwa, creepy Schigolch and the ruined Painter; a warm, sad lesbian Countess from Jane Henschel and an ebullient Athlete by Lenus Carlson. The supertitles were patchy and erratic, so it was doubly a pity that the Hall ran out of programmes before the start – Wedekind's plot is too complicated to guess at.

David Murray

Concert/**Richard Fairman**

Rattle's music of political upheaval

The "Towards the Millennium" music project, instigated by Simon Rattle, is gaining new allies. As it progresses decade by decade on its exploration of the 20th century, the BBC Symphony Orchestra and the Nash Ensemble have joined the musical line-up, while coverage of the other arts has expanded to take in literature, education and environmental artists.

Perhaps the lure of the 1930s for this year's programme was just too great. That was the decade in which music became caught up in momentous political upheaval and reflected world affairs more urgently than at any time before. Barely any European composer remained unaffected. Some (Bartók and Schoenberg) were uprooted from their home countries. Others wrote openly (Britten and Tippett) or ambiguously (Shostakovich) in protest.

The stockmarkets may have crashed, but in the world of music there was no depression, no slump, no sign of artistic energy lying untapped. For Rattle the choice was almost impossibly wide, given the number of strong personalities clamouring for inclusion. By and large he has not tried to group the composers in schools or nationalities. The City of Birmingham Symphony Orchestra's concerts simply bring together acknowledged masterpieces in balanced programmes.

It may come as a surprise to realise how central a place the music of the 1930s plays in our concert-life. Almost all the music in Rattle's series is familiar, bar a couple of the short Gershwin pieces and Stravinsky's *Perséphone*, which is not heard that often. In Thursday's concert there was also Varèse's *Ionisation*, a five-minute display of percussion which has acquired rarity value on account of asking for 13 players on 40 different instruments.

The two main works called for equally large orchestral forces. In Berg's Violin Concerto, representative of the Austro-German tradition, the soloist was Gidon Kremer. He was not relaxed and deep-toned in the music like Anne-Sophie Mutter at the Proms, but wiry, nervously introspective, the tension coiled tight within. In the closing pages he could hardly have played more quietly and it was a shame that the CBSO could not match his hushed eloquence. Unwanted strands of the orchestral accompaniment kept protruding at the wrong moments.

Although it does not carry any specific agenda, Shostakovich's Fourth Symphony is one of the key political works of the decade, withdrawn before its first performance in fear of Stalin's disapproval. No wonder, when its music is nearly anarchic, setting out to break the symphonic status quo. The programme-note talked of a mechanical element, but Rattle was anything but mechanical. In his hands passages of sadness and longing, of humour and sincerity appeared alongside the sarcasm and savagery. The CBSO was on sharper form here. A performance of this symphony should always be shattering and this one was no exception.

Sponsored by Bankers Trust Company. Further concerts in 'Towards the Millennium' on March 16, 17, 20 and 25

Theatre/**Andrew St George**

True grit under the flag

The UK has a new institution created by one of its oldest. The Moving Theatre Company has been founded by Vanessa and Corin Redgrave; their co-directors are Lenka Udovicki of former Yugoslavia and Helena Kaut-Howson of Theatr Clwyd. Its first production, *The Flag*, at the excellent Bridge Lane Theatre, sets the tone for the company's work: gritty and trenchant. This makes a fine debut. Brechtian drama follows in April.

The Flag, written by Alex Ferguson from the novel by Robert Shaw follows the fortunes of a left-wing clergyman back from the horrors of trench warfare and dizzy with hopes of the *1926* General Strike. Shaw's novel, the first of an uncompleted trilogy, looks to George Orwell in content and George Ewart Evans in country style, for it is set in a sleepy parish in Suffolk.

The central figure, John Calvin (excellently played by Corin Redgrave) is not a character but a magnet for nonconformity: sexual, political and religious. He is brought to Suffolk by a mischievous and libidinous dowager who loves him and his politics: "Wonderful news," she reports, "I've found a socialist, a real socialist ... in Manchester." Calvin duly offers the recalcitrant parishioners new forms of faith. The Red Flag hangs in the church, a totem for the play's action.

Ferguson's adaptation makes sporadically powerful theatre. The original novel's impact lay in *its* picture of the world rather than in the pattern of exchanges between individuals on stage. The play has to give up social description for dramatic action. Corin Redgrave's direction (with Gillian Hambleton) moves deftly between times, and switches sharply among the large cast of characters: Calvin's malcontent wife, his pubescent children, his erstwhile comrades in arms and the bevy of bucolics.

What remains at the end is the sense that something telling has happened, and regret that the play leaves so much unsaid. Beneath runs the fear of capitalism and disappointment in the labour movement. Socialists in 1926 must have held their breath, face to face with something commensurate to their capacity for action. But only the miners stayed out on strike.

Bridge Lane Theatre until April 2

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper The main event this week is the premiere on Sun of a new production of Schoenberg's Erwartung and Bartok's Duke Bluebeard's Castle, staged by Götz Friedrich and conducted by Jiri Kout, with a cast headed by Doris Soffel, Richard Cowan and Karan Armstrong. Repertory also includes Rigoletto, Don Giovanni and Fidelio (341 0249)

Staatsoper unter den Linden Peter Schreier sings Belmonte in Entführung on Wed and Sat. This week also has three performances of Patrice Bart's production of Minkus' ballet Don Quixote. A new production of Elektra opens on March 27 (200 4762/2035 4494)

CONCERTS

Schauspielhaus Tonight: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Cherubini, Ravel and Beethoven, with piano soloist Michel Dalberto. Thurs: soprano Françoise Pollet joins members of the BSO in an evening of French chamber music and song. Fri: Karl Anton Rickenbacher conducts Berlin Radio Orchestra and Chorus in works by Messiaen, Zemlinsky and Strauss. Sat, Sun, Mon: Radu Lupu plays Mozart's Piano Concerto No 23 with Berlin Symphony Orchestra (2090 2156)

Philharmonie Tonight: Alan Marks piano recital. Tomorrow, Wed: Georg Solti conducts Berlin Philharmonic Orchestra and Radio Chorus in Beethoven's Missa Solemnis, with soloists including Julia Varady. Tomorrow (Kammermusiksaal): Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in symphonies by Schumann and Brahms. Thurs: German horn virtuoso Ludwig Güttler is soloist in a Bach programme. Fri: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in symphonies by Beethoven and Bruckner. Sat, Sun: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in Stravinsky, Franck, Roussel and Messiaen (2548 8132)

■ NEW YORK

THEATRE

● Angels in America: Tony Kushner's epic two-part drama conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 924 8782)

● The Birthday Party: the Independent Theatre Company's production of this 1958 play by Harold Pinter summons up the necessary mix of brutality and banality. Final week (House of Candles, 99 Stanton St, 353 3088)

● 'Blown Sideways Through Life: Claudia Shear's 65th job is performing this hit monologue about the previous 64 - everything from waiting tables to answering phones in a bordello. A funny and moving evening (Cherry Lane, 38 Commerce St, 989 2285)

● Pounding Nails into the Floor with My Forehead: Eric Bogosian's monologue on life in the 1990s mows down all the sacred cows of political correctness. A scathing, scatalogical, exhilarating rant (Minetta Lane, 18 Minetta Lane east of Sixth Ave, 307 4100)

● Carousel: Nicholas Hytner's award-winning National Theatre production of the 1945 Rodgers and Hammerstein musical transfers from London to Broadway with Michael Hayden at the head of an American cast. In previews (Vivian Beaumont, Lincoln Center, 239 6200)

● Hello Again: Michael John LaChiusa's sexy, adventurous musical is the new off-Broadway hit of the season. Till March 27 (Mitzi E. Newhouse, Lincoln Center, 239 6200)

OPERA/DANCE

Metropolitan Opera This month's highlights are Adriana Lecouvreur with Mirella Freni (till March 26) and a new production of Otello, opening next Mon with cast headed by Placido Domingo. Repertory includes Il barbiere di Siviglia with Susanne Mentzer and Vladimir Chernov, Poulenc's Dialogues des Carmelites with Dawn Upshaw and Teresa Stratas, and La boheme with Diana Soviero and Richard Leech (362 6000)

State Theater Dance Theatre of Harlem is in residence till March 27 with old favourites like Firebird alongside a revival of last year's hit A Song for Dead warriors and choreographies by Billy Wilson, Glen Tetley, Michael Smuin and Alvin Ailey (870 5570)

City Center Merce Cunningham Dance Company is in residence till Sun (581 1212)

CONCERTS

Carnegie Hall Tomorrow and Wed: Leonard Slatkin conducts Saint Louis Symphony Orchestra in two programmes, including the Mazzetti version of Mahler's Tenth and works by Bolcom, Vaughan Williams and Richard Strauss. Thurs: The Chieftains. Sat: Isaac Stern violin recital. Sun afternoon: Paul Lustig Dunkel conducts American Composers Orchestra. Next Mon: Ivo Pogorelich piano recital (247 7800)

Avery Fisher Hall Wed: Kurt Masur conducts New York Philharmonic Orchestra in works by Schumann and Brahms, with piano soloist Maurizio Pollini. Thurs, Fri morning, Sat, next Mon: Masur conducts Mozart, Bartok and Schumann, with violin soloist Glenn Dicterow. Fri: Charles Dutoit conducts Orchestre National de France in Prokofiev, Debussy and Ravel, with piano soloist Martha Argerich. Sun afternoon: Vassily Sinaiski conducts Moscow Philharmonic Orchestra in Musorgsky, Rakhmaninov and Stravinsky, with piano soloist Vladimir Viardo. Sun evening: Dennis Russell Davies conducts Orchestra of the Bonn Beethovenhalle in Ullmann, Brahms and Beethoven, with piano soloist Vladimir Feltsman (875 5030)

JAZZ/CABARET

Rainbow and Stars Suzannah McCorkle, in residence till March 26, takes her audience on a jazz-inflected stroll through the last 70 years of American popular song. Closed Mondays (30 Rockefeller Plaza, 632 5000)

■ PARIS

DANCE/OPERA

Palais Garnier Tonight: young dancers of the Opéra Ballet in extracts from ballets by Bournonville, Dolin, Vinogradov and others. The rest of the week is devoted to an Opéra Ballet production of three new works by Roland Petit, daily except Sun till March 22 (4742 5371)

Opéra Bastille Tonight: René Kollo song recital. Tomorrow, Thurs, Sat, next Mon: Serge Baudo conducts Jose-Luis Gomez's production of Carmen, with cast headed by Marta Senn, Daniel Galvez-Vallejo and William Shimell (4473 1300)

Châtelet Tonight: William Christie conducts Les Arts Florissants in concert performance of Cleofide, three-act Italian opera by 18th century composer Johann Adolf Hasse. Thurs, Sun: Christoph von Dohnanyi conducts Andreas Homoki's production of Die Frau ohne Schatten, with Sabine Hass, Jean-Philippe Lafont, Thomas Moser, Luana DeVol and Anja Silja. March 27-April 2: Peter Stein's production of Pelléas et Mélisande (4028 2840)

CONCERTS

Théâtre des Champs-Elysées Tonight: Beaux Arts Trio plays Schubert's Piano Trio D898 and joins Prague Chamber Orchestra in Beethoven's Triple Concerto. Tomorrow, Wed, Thurs: Fouat Mansourov conducts Bolshoi Orchestra and Chorus in Russian liturgical songs and extracts from Russian operas. Sun morning: Kalichstein Laredo Robinson piano trio (4952 5050)

Châtelet Tomorrow: Christoph von Dohnanyi conducts Philharmonia Orchestra in Bruckner's Eighth Symphony. Fri: Eliahu Inbal conducts Orchestre Philharmonique de Radio France in works by Richard Strauss and Dvorak, with cello soloist Truls Mork. Sun morning: Arditti Quartet. Sun evening: Mariss Jansons conducts Royal Concertgebouw Orchestra in Strauss and Tchaikovsky, with cello soloist Heinrich Schiff. Czech pianist Ivan Moravec gives lunchtime piano recitals today, Wed and Fri (4028 2840)

Théâtre de la Ville Fri, Sat: Christian Zacharias joins Cherubini Quartet in piano quintets by Schubert and Brahms. March 25, 26: Yuri Bashmet (4274 2277)

Salle Pleyel March 26: Jessye Norman (4561 0630)

JAZZ/CABARET

George Porter Junior, king of New Orleans funk, is in residence this week at Lionel Hampton Jazz Club. March 21-April 2: Ernie Andrews and Johnny Kirkwood Quartet (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Rome was not rebuilt in a day

Italy's confusing electoral reforms are likely to produce further muddle, says **Andrew Gowers**

The politicians who campaigned successfully a year ago for a fundamental change in Italy's voting laws promised a lot. Moving from the previous, hideously complex system of proportional representation *towards a first-past-the-post* approach more akin to that of the UK would, they claimed, generate more transparent and straightforward elections, present voters with clearer choices and even produce stabler and more legitimate governing majorities.

Unfortunately, although the voters signalled in large numbers *that they wanted all these* things in last April's referendum, they look like being cruelly disappointed. The campaign for the election due on March 27 has created neither transparency nor straightforwardness, the choices involved are about as obscure as ever in Italian politics, and the outcome could well be something to which Italians have become all too accustomed in the past 45 years: an almighty muddle.

The confusion can only complicate the task of any new Italian government in dealing with political challenges and economic constraints that remain more awkward than those facing any other major western European country.

Electoral reform, of course, was never going to be a panacea for the manifold ills afflicting Italy's body politic following the collapse of the corrupt old order dominated by the Christian Democrat party. Under that system, the politicians – competing on centrally chosen party lists – traded votes for patronage, and the result was an endless succession of governments comprising the same parties and faces.

But reform was supposed to hasten the construction of a new order, in part by reducing the number of small parties scrambling for a slice of power and by encouraging the formation of larger political groupings whose candidates would compete for single-seat constituencies on the basis of distinct policy programmes.

That is not quite how things have turned out. Thanks largely to a provision in the electoral law, allowing for 25 per cent of the seats in the lower house and senate to be elected by proportional representation and party lists, the small parties are alive and well *and insistently clinging to* their separate identities.

In order to maximise their votes in the single-seat constituencies, individual parties of the left, right and centre have banded together in alliances. But these groupings remain flimsy in the extreme, their members united by political slogans but divided on impor*tant policy issues, riven with* personality clashes, and to some extent vying with one another as well as with the opposing alliances for votes. It is hard to see any of them surviving long after the election, let alone forming the basis for stable government.

The forces of the right disguise their differences behind a presidential-style campaign

On the left, such are the differences within the Progressive Alliance between the mainstream of the former communist party and a breakaway hardline faction that the alliance's overall leader, Mr Achille Occhetto, spends more of his time repudiating the extreme comments of some of his colleagues than in explaining his party's programme.

The forces of the right, grouped around media mogul Silvio Berlusconi's Forza Italia movement, are leading in the polls, but largely by virtue of disguising their differences behind a vapid, presidential-style campaign focused on the personality of Mr Berlusconi. Serious policy discussion has been conspicuously absent.

Small wonder that the voters are confused, or that pressure is growing for another bout of electoral reform. Not only do they face the disappearance of any familiar element in the landscape (almost all the parties have changed their names to distance themselves from the past, and several have split into even smaller fragments). They are also being asked to vote, on three separate ballots, in a system that is neither fish *nor fowl – neither PR nor first*-past-the-post – and in ignorance as to how the candidates of their choice will ultimately be aligned or what sort of government might result.

It is scarcely a climate designed to foster responsible or coherent postures by the politicians themselves. Front runner Mr Berlusconi, in par*ticular, has been shamelessly* promising tax cuts and new jobs. No serious observer expects him to be able to deliver these without severely damaging Italy's painstaking efforts to reduce its budget deficit and bring its spiralling government debt under control. He has also consistently refused to subject his platform to proper scrutiny by debating on TV with his opponents.

The latter are putting their trust not in achieving outright victory (the polls give them few grounds for hope on that score) but in the idea that forces of the centre, moderate left and moderate right will, after the election, combine to back a pragmatic "institutional" coalition that can put politics aside and get on with governing. For Italy's establishment, smoke-filled rooms and massaged results still seem more comfortable than a straight political fight.

What the country badly needs is a stable government capable of matching up to its status as the world's fifth largest industrial power and getting to grips with its economic problems. Ironically, the closest it has come to that state of grace in recent decades is probably with the technocratic governments born out of the comprehensive discrediting of the political class in the last two years. The current election campaign shows how far Italy still has to go before it creates a political system that can be relied on to produce such a government at the ballot box.

Patti Waldmeir says the battle of Bophuthatswana has led to a realignment in South Africa's politics

Shocked, shaken but surviving

When a lone black soldier turned his rifle on two wounded right wing whites lying in the blood and dust of a Bophuthatswana street on Friday, and pulled the trigger to execute them, South Africa reached a turning point.

With any luck, that gruesome incident – the first time in recent South African history that the armed white right has confronted blacks and come out the loser – will turn the tide of events in a positive direction. Anyone who saw the terrified faces of the two wounded men as they begged for mercy, anyone who watched as truckloads of the *racist white fled Bophuthat*swana with black soldiers in furious pursuit, cannot doubt that the right was dealt a salutary shock when its lunatic foray into Bophuthatswana ended in humiliation.

There are already signs that the shock has sent at least some right wing leaders scurrying to their senses: General *Constand Viljoen, the Afrika*ner leader who despatched right wing "troops" to the homeland in the first place, said the homeland fiasco had provoked him to drop his plans to boycott April's all-race elections. At midnight on Friday night, he submitted a list of candidates to fight the election under the banner of the Freedom Front, a party created by him to pursue the demand for an Afrikaner homeland via the ballot box.

By yesterday afternoon, his commitment to electoral participation appeared to be wavering, with his close ally, Mr Rowan Cronje, foreign minister of Bophuthatswana, saying Gen Viljoen was reconsidering his position. But whatever he decides, the Bophuthatswana episode appears to have provoked a split in the right wing which cannot be healed, leaving the neo-Nazi leader Eugene Terréblanche and the white supremacist Ferdi Hartzenberg, leader of the ultra-right Conservative Party – the real villains of the battle of Bophuthatswana – isolated from the mass of right wing Afrikaners, who may be frightened, perhaps even racist, but who recoil at racial confrontation.

Such a split must be good news for South Africa's election prospects, for it will weaken the case for violent struggle and give ordinary Afrikaners an electoral outlet for their fears and a constitutional means of demonstrating whether there is widespread support for a "volkstaat" [an Afrikaner homeland]. But the split could hold as much threat as promise: for the paramilitary right has been held in check, at least partially, through Mr Terréblanche's alliance with Gen Viljoen, an alliance which now appears irrevocably ended.

AP

Restoring order: South African defence forces arrive to quell unrest in Mmabatho, Bophuthatswana

Marginalised by the new politics of the right, and enraged by the execution of right wing whites by blacks in Bophuthatswana, Mr Terréblanche's AWB could prove more rather than less dangerous. Of the many *snapshots* of horror provided by last week's events in Mmabatho and its twin city, Mafikeng, the most shocking image was of black bodies slumped in the streets of Mafikeng, killed by whites who drew fire in their turn from black troops and police. As a black South African television cameraman said at the time: "the race war has begun".

African National Congress leader Popo Molefe, candidate for premier of the new Northwest province which includes Bophuthatswana, appeared to endorse the killing of whites, saying that the execution "leaves me cold", repeating the comment made by Minister of Police Jimmy Kruger nearly 20 years ago, that the death of black liberation leader Steve Biko left him, similarly, "cold". South Africans must hope that the turning point reached on Friday was the beginning of the end of the extreme white right, rather than the start of a new racial conflict.

South African newspapers were quick to declare yesterday that the battle of Bop marked the definitive defeat of the paramilitary right. Unfortunately, events do not bear that out: the whites who invaded Bophuthatswana in the dark of Thursday night left in confusion and humiliation on Friday: but they were not routed. Most withdrew under orders from their commander, Gen Viljoen, without ever entering the capital; some 3,000 spent the day at an air base several kilometres from Mmabatho, and withdrew under escort of South African troops, after Bophuthatswana president Lucas Mangope (since removed from office) asked Gen Viljoen to send them home. Those chased through the streets of Mafikeng by black troops were a minority.

What the white right learned at Mamabatho was that it could not take on an army – whether the 3,500 strong Bophuthatswana Defence Force, or the far more powerful South African Army. But largely, they knew that already; direct confrontation between right wing and loyal South African armies was never the main threat to the country's transition. Small groups of fanatic right wingers engaged in sabotage and terrorism posed the greatest danger; they still do. The battle of Bop may have deflated the bravado of the right, but it has not removed the menace.

Still, Gen Viljoen's defection to the political centre (assuming he does not reverse it in coming weeks) will strengthen the critical mass of parties accepting the new constitution, and broaden the legitimacy of the election. One major party – arguably the most important of the dissenters, the Zulu-based Inkatha Freedom Party of Chief Mangosuthu Buthelezi – remains publicly committed to boycotting the election. ANC leaders are hoping that Chief Buthelezi will suffer the same fate as President Mangope: a civil servants' revolt, coupled with police mutiny, toppling him from power. For the moment, this seems unlikely.

But Gen Viljoen's decision to stand for election has split not only the white right, but the whole of the right-wing Freedom Alliance, which used to include Inkatha, Viljoen's Afrikaner Volksfront and the Bophuthatswana government. Now the Bop government has been removed from power, the Afrikaner Volksfront is disintegrating after Gen Viljoen's resignation to head the new party (the Freedom Front), only Inkatha is left boycotting the election.

The threat of countrywide disruption had been based on the fact that the white right is distributed throughout South Africa, while Inkatha's influence is localised. The weekend's events must undermine the geographical scope of a boycott outside Inkatha's heartland of Natal province, *and certain townships of the* East Rand near Johannesburg. But Natal is the country's most populous province, and disrupted elections there would seriously undermine the result's legitimacy.

The lesson of the past few months of negotiations has been that no breakdown is ever, quite, final. Time is short, Inkatha is still protesting loudly that it will resist the poll, and April's ballots are already being printed. But the ANC still holds out hope that Inkatha will make a late decision to enter the poll.

The battle of Bop has generated a realignment in South African politics; but if the scene has been shaken up, it has not yet settled down. Today, Gen Viljoen is due to meet Chief Buthelezi for what could prove another decisive showdown. Perhaps the white right will persuade black conservatives to accept elections; perhaps the opposite will be true. For the moment, the situation in South Africa remains, as it has been for months, fluid. If anything, the recent dramatic events may have made the perilous transition to democracy slightly easier.

LETTERS TO THE EDITOR

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Level playing field is required for UK Nasdaq

From Mr Edmond Jackson.

Sir, Ronald Cohen and Sir Andrew Hugh Smith present contrasting views on the merits of a separate smaller companies stock market (Personal View: March 8).

What do private investors – key buyers of growth stocks – think on this longstanding issue?

Having watched the rise and demise of 1980s Over-The-Counter and Third Markets, I recall more wealthy share promoters than investors who backed fledgling issues.

Standards of disclosure outside the London Stock Exchange were appalling.

Sir Hugh's concern for quality reporting is therefore imperative. Shouldn't investors have "information rights" to glean most of what is required to value shares from the financial statements?

Mr Cohen doesn't even mention disclosure, and as a venture capitalist he must ensure a market for his seedcorn investments.

Buyers beware.

But the London Stock Exchange hardly champions investors outside City circles. Representatives of its member firms have privileged access to company results briefings, where the future is evaluated and quickly factored into share prices.

"Sid" has no access to these meetings, and is also disadvantaged by smaller company share placings which favour institutional investors. Even in a major offer for sale, individuals typically receive a prospectus only 48 hours before the applications deadline – with insufficient time for consideration.

If Mr Cohen's proposed "UK Nasdaq" will radically reform new issues for private investor participation, list detailed company announcements on TV Ceefax and uphold reporting standards, it could win strong public support.

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Scottish salmon also subsidised

From Mr Roderick Thomas,

Sir, I refer to your editorial comment "Salmon wars" (March 10). While it is no doubt true that the Norwegian salmon industry has received considerable state aid, the same must also be said of the Scottish industry.

Since the late 1970s Scottish salmon farming companies have received UK and EU direct aid in the form of grants, interest relief subsidies and cheap loans; in certain cases direct aid has exceeded 50 per cent of the start-up costs of Scottish salmon farming ventures.

In addition the Scottish (and Irish) industries are protected by an import tariff of 2 per cent which is significant in such a low margin business.

The real problem is that Norway enjoys several fundamental advantages over Scotland: in general, sites are more sheltered and less prone to storm damage; the temperature and day length regimes engender faster growth and a lower incidence of disease; the size of farms is strictly limited by the licensing authorities and as such Norway has not suffered some of the appalling diseconomies of scale witnessed at large units in Scotland where disease has resulted in drastic losses.

Without the benefit of state aid the efficient family-operated, medium-sized Norwegian salmon farm is profitable at an average price which is perhaps 20-30 per cent below the stated average cost of production in Scotland.

The real worry now is not Norway but Chile: its nascent, fast-growing industry is producing salmon even more cheaply than Norway.

Whether Norwegian salmon is excluded from the EU or not, international competition in the maturing salmon market is going to intensify.

In the long term, salmon prices are unlikely to recover.

Roderick Thomas,
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Commercial leases costly for UK retail businesses

From Mr Peter J Baguley.

Sir, In the letter "No foul play over rent reviews for commercial properties" (February 25), Mr William McKee, referred to research undertaken by the British Property Federation which concluded that there is no evidence that the upwards-only rent review provision in commercial leases has exerted inflationary pressures on occupational rents.

This is misleading and contrary to our own research, which employed a similar methodology, but was tailored specifically to the retail property market:

- The retail rental value index has been at a higher level than the index of "high street" retail price inflation (measured using the retail sales deflator) in just under half of the last 22 years.
- This upward inflationary pressure in the retail property market has not been compensated for by downward pressure during periods of relatively low inflation, for example the late 1970s and early 1980s. The rapid rise in retail rents during the late 1980s more than covered the lower rental growth (relative to price inflation) during the period 1975-1986.
- On average, retailers in the *last 22 years would be paying 9* per cent more rent under a conventional lease with UORR, compared with the rent which would be payable under a regime of annual inflation-indexed (ie linked to retail sales inflation) leases. For leases agreed during the period 1975-1987, this proportion rises to 20 per cent, peaking at 26 per cent in 1977.

In summary, our evidence indicates that the structure of the institutional lease has resulted in the majority of retail businesses in the UK paying more rent than they can afford to cover through price inflation.

With the prospect of a low inflation decade, this is likely to inhibit expansion by retailers which in turn, could impact on *a national economy* placing reliance on consumer expenditure to lead the recovery.

There is, however, one important area where our views depart from those of Mr V A G Tregear (Letters: "Outlaw upwards-only provisions on commercial rents", February 9). In common with the BPF, the Boots Group, in its response to the government's consultation paper on the commercial lease structure, has argued for non-intervention.

Nevertheless, we firmly believe that the property market must face up to its own inherent inefficiencies and work towards achieving *greater flexibility, as any mar*ket should.

Peter J Baguley,
director of property investment,
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MEPs will stick to guns on vote

From Mr David Martin, MEP.

Sir, Klaus Kinkel was quite right to state that the UK position on qualified majority voting in an enlarged Community is unacceptable to the European Parliament and that the latter would reject any such solution ("Vote dispute threatens EU expansion", March 9).

The reasons are simple: the UK position would render decision-taking in the EU even more difficult than at present. Citizens of all 16 member states have a right to expect the EU to be capable of taking decisions in those areas where it holds responsibilities. The UK position is a recipe for more paralysis in the EU. The European Parliament will certainly stick to its guns.

David Martin,
MEP,
Strasbourg

Knave or knight?

From Mr Martin Lam.

Sir, I recall the legendary island populated only by knights, who always tell the truth, and knaves, who never do. The logical problem, when you meet a native, is to devise a question the answer to which will tell you unequivocally whether your interlocutor is a knave or a knight. Is there perhaps a parliamentary question which would do the job?

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FINANCIAL TIMES

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Monday March 14 1994

Stupide Albion

Mr John Major's government is lurching towards another pothole. The foreign secretary, long regarded as the cabinet's "safe pair of hands", has landed Mr Major with a new political drama which again threatens to divide his party.

The enlargement of the European Union to admit Austria, Norway, Finland and Sweden was not a purely British idea. But Mr Major had pushed it, especially during the UK presidency in 1992, against the reticence if not outright opposition of several other member states, and had insisted on giving it priority over various other tasks, including notably the reform of the EU's decision-making process.

Two weeks ago this policy appeared close to a deserved success. After hard negotiations, agreements with three of the applicants were concluded, and that with Norway appeared very close. Yet now the whole enterprise is in jeopardy because the UK, of all countries, is pressing for a change in the qualified majority voting system – reducing the "blocking minority" in the EU council from 30 to 25 per cent.

Of course, that is not how the British government presents the matter. By stressing the absolute number of votes, as opposed to the percentage, it poses as defender of the status quo against yet another onslaught by wild-eyed continental federalists. At present, says Mr Douglas Hurd, two large states and one small one form a blocking minority, and that must remain the case even when there are 16 member states altogether.

Trumpet call

By putting it like that he gets the worst of all worlds. Eurosceptic Tory backbenchers have been roused by his anti-federalist trumpet call, so that the government cannot now accept the obvious and rational solution to the problem – which is to keep the percentage as it is until the whole matter is reviewed at the Maastricht revision conference in 1996 – without provoking yet another crisis over Europe within the Conservative party. So far from showing a safe pair of hands, Mr Hurd has used his left hand to sabotage the efforts of his right, with which he has been trying to hold the party together on Europe as the European elections approach.

At the same time he has yet again presented his EU partners with the image of Britain as a negative, obstructive force, bent on blocking any kind of reform or advance, even one which it purports to favour. If he does not back down the result will be either to abort the enlargement process altogether – if the European parliament goes through with its threatened veto – or to make enlargement a prescription for even greater paralysis in EU decision-making, as the majority required for a decision will be greater than before.

Voting weights

Moreover, he has argued his case in such a way as to bring forward the issue of the relationship between voting weights and population. Small states are over-represented in the present system, for a reason that should command the British government's sympathy: the EU is an association of sovereign states, not a federation. Yet the British foreign office has been hinting that it might accept a compromise whereby the "blocking minority" would vary according to the combined population of the states composing it.

Such a solution would be a significant step towards federalism, since it would amount to saying that the Union is composed of individual citizens – who should be equally represented in its institutions on the basis of one person, one vote – rather than of states with equal sovereign rights irrespective of their population.

That federalist principle is already acknowledged in the fact that small and large states have different voting weights. But the more precisely voting weights are aligned with population, the stronger the federal character of the Union becomes, and the weaker the sovereignty of the member states. The Germans, who as the state with the largest population stand to benefit most from such a reform, have none the less held back from pushing it: they can see the danger of invoking their superior numbers as a reason for having more influence in the Union than the French.

But Britain's gallant defenders of national sovereignty have blundered in where German federalists feared to tread.

Gridlock over London transport

Britain's Treasury has become the main obstacle to improving London's public transport system. Last week Treasury ministers snubbed London Transport by blocking the promotion of Mr Alan Watkins, deputy chairman and chief executive, to the post of chairman. Transport ministers are understood to have been happy with the appointment.

Mr Watkins' crime was to criticise the Chancellor Mr Kenneth Clarke for providing insufficient funds in last November's budget for London Transport investment. Mr Watkins, a top executive at Hawker Siddeley before joining London Transport 18 months ago, was admired for bringing private sector skills to an organisation that is notoriously hard to manage. He has now resigned. If ministers wish to attract talented outsiders to public jobs, they will have to put up with blunt talking.

But the Treasury's downer on London Transport is not limited to its treatment of Mr Watkins. Last month, it opposed a £500m deal to equip the Northern Line with 100 new trains. Moreover, the government is only proceeding with plans to build Crossrail, a £2bn east-west underground railway, after the prime minister overruled objections from Mr Michael Portillo, Treasury chief secretary. Even now, observers fear Crossrail could founder as the Treasury has yet to promise funds.

Treasury attempts to curb government spending is perhaps understandable given the enormous budget deficit. What is not sensible is that the Treasury is also blocking initiatives by Londoners to find their own solutions to the city's transport problems. In particular, it has rejected a scheme put to it by London First, the business-led group, to earmark a portion of London's business rates for transport investment.

Squalid

This is not good enough. The underground is squalid, unreliable and crowded. Many people are therefore forced to travel by car so clogging the roads with traffic and slowing down buses. This is not merely miserable for those living and working in London. It also harms business and undermines the City's competitiveness as a financial centre.

The total cost of modernising the underground and financing new projects such as Crossrail is put at £17bn over 10 years. Given the difficulty of providing cash from central government coffers, the Treasury should welcome ideas to tap other sources.

The London First proposal would do just that. It would take advantage of the fact that London's business rates are due to fall next year. Instead of passing all the savings back to companies, a portion would be earmarked for transport improvements and channelled through a trust. The trust would not have to wait for the money to trickle in. It could issue bonds secured by the future revenue stream.

Treasury theology

This idea has fallen foul of Treasury theology. The first objection is that it would add to government spending and borrowing, as the scheme would be underwritten by the state. But there would be no need for such a guarantee: the flow of business rates would be security enough.

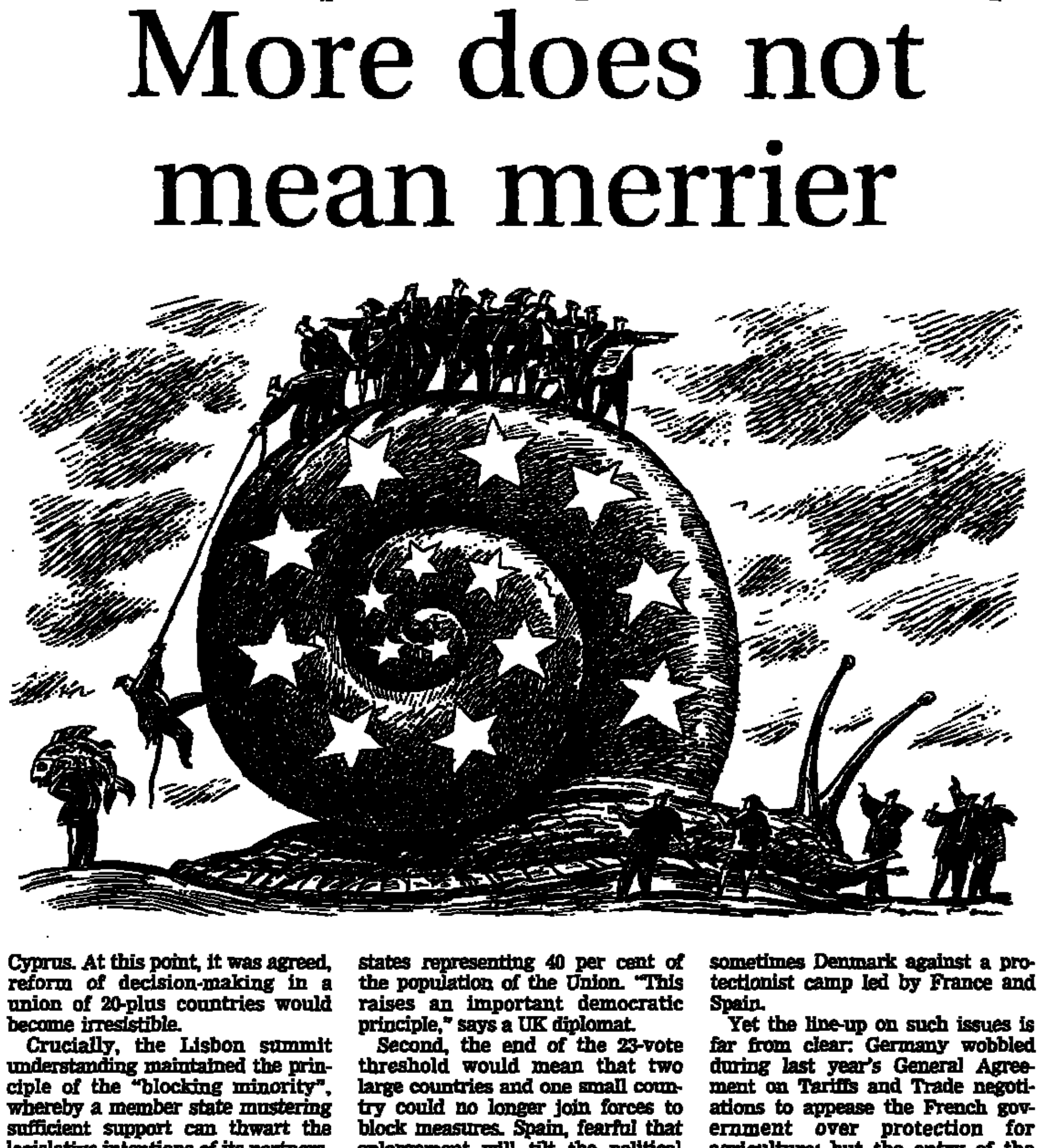
The second objection stems from the Treasury's dislike of hypothecation. Treasury officials talk of the nation's tax take as "our money". If money is earmarked for transport in London, the Treasury fears it will have to cut spending on projects in other parts of Britain.

Not only is such description of the tax take as "our money" presumptuous. The idea that more investment in the capital's transport system must be matched by cuts elsewhere is also bunkum. According to a recent estimate, Londoners pay over £8bn a year more in taxes than is spent by government in the city. They could maintain this relationship with the rest of the UK and pay taxes earmarked for transport because such investment would add value to its economy.

Not that the London First idea is perfect in every detail. Money should be raised from domestic landowners and commuters as well as business: they too would benefit from better transport. London First must also demonstrate that London business enthusiastically backs such use of its money. That would be the best way to overcome Treasury theology.

Lionel Barber explains why the EU enlargement row has spread into a dispute over the power balance in Europe

More does not mean merrier



The smart money is on a deal. But whatever the outcome of tomorrow's emergency foreign ministers meeting in Brussels, the latest crisis over enlargement of the European Union seems certain to have far-reaching repercussions.

Much more than a few thousand tonnes of Norwegian fish is at stake. Either through miscalculation or as a matter of principle, the UK has forced its EU partners to confront the one issue which most would prefer to ignore: the distribution of power in an expanded Union.

The resulting clash has pushed the enlargement talks to the brink of collapse. Britain, and to a lesser extent Spain, stand accused of breaking the pledge of the twelve to wrap up negotiations by early March so that Sweden, Finland, Austria, and Norway can enter the Union by January 1 1995.

The row has exposed the faultlines in the Union which the Maastricht treaty failed to close: between a rich north and a poorer south; between big and small member states; between sovereignty-conscious countries such as the UK, which hankers for a looser Union based on inter-governmental co-operation, and federalists such as Belgium and the Netherlands which want faster integration and streamlined decision-making.

Diplomats in Brussels remain baffled at the readiness of Mr John Major's government to risk sacrificing enlargement, a policy which seemed central to its aim of a wider Union. "The British are playing politics at any price," said one German official, "but this is a very dangerous game."

There has always been a paradoxical element in plans to expand the Union. Increasing the number of member states will, at some point, require a reform of collective decision-making. Without such an overhaul, the Union risks grinding to a halt, says Sir Leon Brittan, chief EU trade negotiator and the senior British commissioner in Brussels.

Yet the basic cogs in the EU's machine have remained unchanged for 35 years, in spite of a doubling of member states from six to 12. The number of commissioners and official languages has crept up to 17 and nine respectively, though some are visibly underemployed. Above all, the EU still runs by a "weighted voting" system, whereby the voice of the bigger countries is reduced so as not to drown smaller neighbours.

At the Lisbon summit in June 1992, the 12 agreed that it was more important to press ahead with enlargement than tinker with the institutional balance of the Union. Leaders concluded that it was better to delay reforms until the next batch of entrants, the central and east Europeans, Malta and possibly Cyprus. At this point, it was agreed, reform of decision-making in a union of 20-plus countries would become irresistible.

Crucially, the Lisbon summit understanding maintained the principle of the "blocking minority", whereby a member state mustering sufficient support can thwart the legislative intentions of its partners.

Until the latest British and Spanish interventions, it had been assumed that the number of votes required to form a blocking minority would rise slightly to take account of the four new members. Thus the current proposal is to increase the present 23 votes out of a total of 76, to 27 votes out of an expanded total of 90. The compromise maintains the proportion needed for a blocking minority at roughly 30 per cent; but it has two big drawbacks:

First, the increase from 23 to 27 further distorts the relationship between a country's voting strength and population. It would mean that a combination of smaller states could technically outvote large states representing 40 per cent of the population of the Union. "This raises an important democratic principle," says a UK diplomat.

Second, the end of the 23-vote threshold would mean that two large countries and one small country could no longer join forces to block measures. Spain, fearful that enlargement will tilt the political gravity of the Union to the north, wants to preserve the 23-vote threshold on core Mediterranean issues such as agriculture.

British officials argue, too, that the power-sharing dispute is about vital national interests. A recent survey of Whitehall departments, says one UK official, suggested "there was greater advantage in forming a blocking minority rather than forming a qualified majority [needed to push decisions through]".

Where do the British believe they are most at risk in being outvoted? One answer is trade policy, where the UK has traditionally led a blocking minority of free-traders including Germany, the Netherlands and sometimes Denmark against a protectionist camp led by France and Spain.

Yet the line-up on such issues is far from clear: Germany wobbled during last year's General Agreement on Tariffs and Trade negotiations to appease the French government over protection for agriculture; but the entry of the Scandinavians ought technically to strengthen the free-trading club in the Union.

Other British arguments on the blocking minority risk sounding defeatist. Officials fret about the threat of being outmanoeuvred on social policy. But this suggests that the much-vaunted opt-out of the social charter which Mr Major secured during the Maastricht negotiations, may not be as effective as first thought. It underlines, too, how the prime minister's vulnerability at home is affecting British negotiating tactics in Brussels.

UK officials confirm there was a "political calculation" in London that a change in the blocking minority could provoke a revolt by Tory Euro-sceptics. There were worries about a split in the party ahead of the European parliamentary elections in June in which the Conservatives are expected to suffer heavy losses, possibly provoking a leadership challenge to Mr Major in the autumn.

Yet diplomats agree that Britain's stand on the blocking minority may have the perverse effect of arousing the Tory right: an arcane Euro-squabble has been elevated into a cause célèbre, making a climb-down this week or next harder than it might have been.

Virtually none of these arguments impress Britain's European partners. Belgium, Germany, and the Netherlands are upset that the UK seems oblivious to the risk that the European parliament will block the enlargement agreements if the voting weights are not adjusted. Chancellor Helmut Kohl is said to be crestfallen at Mr Major's equivocation on enlargement. German officials complain that the Chancellor has had no reward for standing by Mr Major during ratification of the Maastricht treaty, or for agreeing in 1993 to extend the British budgetary rebate to 1999, a concession worth almost £2bn a year.

German nervousness is compounded by Britain's argument that voting weights need to take greater account of the size of population. The logic points to Germany, with 80m people, moving up from 10 to 15 votes; but this would end the voting parity between France and Germany, undermining the Franco-German partnership which in the post war period has depended on a delicate balance of political power.

The more conspiratorially-minded believe weakening the Paris-Bonn axis is Britain's "great game" in Europe. French officials routinely state that the UK aim in freezing voting weights at their present level is to paralyse decision-making inside the Union and create a "wider Europe" which is little more than a free trade area. "Major is trying to bring back Maggie's Europe," says one senior Brussels diplomat.

None of this may be true. It is possible that the British are simply putting down a marker ahead of the 1996 inter-governmental conference to review the operation of the Maastricht treaty, signalling that they intend to protect vigorously the interests of the larger member states in an expanded Union.

But the risk is that if sufficient numbers of Mr Major's EU partners believe the opposite, they may well be tempted to move faster toward integration. He would then face the choice he is desperate to avoid: splitting his Tory party or swimming with the continental tide.

A misguided focus on job creation

MICHAEL PROWSE on AMERICA

The "jobs conference" convened in Detroit by President Bill Clinton should really be called a "wages conference" or perhaps even an "inequality conference". Provided wages are flexible there is no reason why jobs should be permanently in short supply in a market economy.

If simply "having a job" were all that mattered, people would work for practically nothing. If necessary they would secure jobs by offering to pay employers to hire them. We do not observe the absurdity of negative wages, of course, because what is really at stake is not employment but the income that can be derived from it. Quite rightly, people will take jobs only if wages more than compensate for the unpleasantness (or "disutility") of working, taking into account all other means of sustenance.

While conceding that the unemployed individual can perhaps price himself into work, some economists claim this option is not generally available. Following Keynes, they stress employees' dual role as buyers of goods and services as well as inputs in the productive process. If all wages were cut, the argument runs, consumers' purchasing power would fall, putting downward pressure on product prices. So real, or inflation adjusted, wages might not decline.

This is an ingenious but ultimately unconvincing objection. A fall in wages would cause a shift in the composition of demand, with increased purchases by foreigners, companies and individuals not reliant on wage income. Falling prices would also boost demand by increasing the value of assets such as bonds and bank deposits. The classical conclusion thus stands: in the absence of artificial constraints, unemployment is voluntary because it reflects people's reluctance to accept jobs at the wages offered.

The diverse jobs record of the US and the European Union amply supports this unpopular proposition. In Europe strong unions and restrictive legislation have stunted job creation by putting a floor under wages. At the same time relatively generous social benefits have created a viable alternative to work for many adults. In the US both sets of forces have been weaker: there are fewer benefits and wages are more flexible. It is thus hardly surprising that the EU jobless rate has risen steadily and now seems stuck in double digits while the US rate, currently 6.5 per cent, has increased only slightly in recent decades.

Yet the domestic unpopularity of the US approach shows that people care not about jobs per se but about the quality of jobs – the standard of living they buy. Middle class families are frustrated by the slow growth of earnings – an inevitable consequence of the enormously rapid growth of employment required to absorb the baby-boom generation. And in urban ghettos, many adult men (especially minorities) have refused to take dead end jobs, opting instead to withdraw from the formal labour market. The lesson is that while market forces can create jobs for all who want them, they cannot be relied upon to create jobs that meet people's aspirations or even that pay enough to lift low-skilled workers above subjective measures of "poverty".

Meeting people's aspirations is an especially formidable task because they depend largely on relative rather than absolute living standards. What is regarded as a "good" wage is largely dependent on what others are earning. Poverty is a notoriously relative concept. In modern America many poor families have cars, colour televisions, videos and air conditioning. They live well by the standards both of their forebears and of the middle classes in nations such as India or China. Yet they feel abused because their lifestyles compare adversely to those of affluent Americans.

If a consensus emerges at Detroit, it is likely to be that industrial countries can create more "quality" jobs by taking steps to raise the skills and hence productivity of low paid workers. There is likely to be a strong emphasis on the need for more effective education and training, especially for the bottom half of the ability range. This is an admirable policy, but it would be a mistake to regard it as a solution to present problems. Differences in ability are so great that better training for the low paid will only have a limited impact on disparities in the productivity (and hence earnings) of various groups within society.

As overall living standards rise, so will the minimum requirements for life above the poverty line and the wage at which work is regarded as dignified. If social benefits are raised in line with growing affluence, unemployment will remain high (as it has in the EU in past decades) because many will find that work does not pay. If social benefits are held down and wages kept flexible (as has happened in the US), the number of working "poor" will multiply. Either way the conscience of society will be pricked.

At its roots, the problem of unemployment, or its alternative manifestation as "low quality" jobs, reflects a fundamental feature of the market system: the fact that it rewards individual effort and ability and so generates grossly unequal outcomes.

The way to come to terms with economic inequality is to recognise that the market system is not something that governments either created or can manipulate with impunity. Markets are sets of unplanned spontaneous exchanges; nobody plans the inequality and nobody is responsible for it. Inequality is simply the price we pay for a general level of prosperity unimaginable under any other economic system.

OBSERVER

White lightening

■ How many prosperous English entrepreneurs ensconced in Malibu, California would give a microchip about the future of under-educated British youth? The Prince's Youth Business Trust has found one in Jeremy White, who takes over as chief executive next month.

John Pervin, who led the trust through its first successful decade of helping under-privileged youngsters set up in business, was a career Unilever man. White, 38, had a rather different start.

He may now boast an MBA, and an MA in education and psychology, but White loathed school and, had it been around then, would undoubtedly have been a candidate for PYBT funds when he started his electronic securities company aged 20.

Within ten years he had merged with Britannia Security Group, at which point he crossed to the US. After an acquisitions spree he sold his stake and moved to California. There he bought Data Safe, a disaster-support business, of which he is still chairman.

He inherits a charity that is basically in good shape – two thirds of its charges are in business after two years, compared with a roughly one in ten survival rate for new ventures across America.

For this, the new boss credits the system of attaching advisers to grant recipients, but their wisdom is no substitute for training, and it is with short, non-academic business management courses that White hopes to broaden the trust's reach.

He certainly returns home unencumbered by his past life – six hours after deciding to go for the job last November, his house was burnt to the ground.

Light on Bright

■ Whatever versions of the truth politicians are expected to serve up to the House of Commons, the role of John Major's Graham Bright is clear enough. As parliamentary private secretary to the PM, his duty is to relay the concerns of backbenchers, in pretty much unexpurgated form.

Which is why Major should take note of the growing unease at Westminster that the 51-year-old MP for Luton South is adopting an imperious, dismissive approach to his colleagues' worries.

Those who remember the last Tory leadership crisis are warning the boss not to repeat Lady Thatcher's mistake – of listening too closely to her PPS Peter Morrison and hence under-estimating the strength of feeling on the backbenches.

'Let me through – I'm a sightseer'

Tic tic tock

■ The latest development in the battle by Catalans to promote their long-repressed language is the Catalan timepiece. And we're not talking Salvador Dali floppy watches – surreal though it is.

Former shipping executive Francesc Ortiz has patented a Catalan watch-face. He argues that conventional watch-faces numbering the hours from one to 12 reflect the Spanish, not the Catalan, way of telling the time.

To Catalan speakers 6.30 is "two quarters of seven"; what Brits would call "a quarter to seven" is actually "three quarters of seven"; and 7.15 is "a quarter of eight". So the new watches – ordered from a Swiss manufacturer – feature the figures 1/4, 2/4 and 3/4 where you would expect to see 3, 6 and 9. All clear?

Ortiz, 35, then wants the Catalan-nationalist regional government to change all public clocks to the same system. He evinces surprise that no-one has thought of this before.

Elephants don't

■ How sad that Standard Chartered, the international bank with a colourful – if at times problematic – past, cannot rejoice in a bit of history.

Tucked away in the personal columns of last Saturday's Daily Telegraph is a "BBWA Trunk Call": a call to arms, or at least drinks, to employees of the Bank of British West Africa – former emblem, the elephant.

Founded 100 years ago this May by Elder Dempster shipping magnate A.L Jones, it remained the leading financial institution in British West Africa throughout the colonial period before eventually being bought by Standard Bank in 1965.

David Cox, who joined in 1957 in the leisurely days when duplicate bills of exchange would arrive by sea a month or so after the air-mailed originals, is hoping for around 300 guests at the shindig.

Tragically, the reunion takes place in the distinctly unnostalgic Hamilton House pub by Liverpool Street station (named after Lord Hamilton, chairman of the Great Eastern Railway, with no known connection to West Africa). For there is no love lost with Standard Chartered – not a soul unconnected with the original bank has been invited, even if Cox confesses to help from the pensions department in tracing a few old-timers.

Poor visibility

■ Environment ministers from the G-7 countries gathering in Florence this weekend were gratified to discover a traffic-free city. But, before heaping praise upon the authorities for their efforts to spruce up the atmosphere, you might have thought they would have twigged that the vehicle ban was down to high smog levels.

FINANCIAL TIMES
Monday March 14 1994

Flight delays after third mortar attack on Heathrow

UK may use army at airports

By Michael Cassell and Deborah Hargreaves in London and Richard Tomkins in New York

The UK government will consider this week whether to use army patrols to help boost security at British airports after the Irish Republican Army's third mortar attack at London's Heathrow airport in five days. Army personnel and equipment were helping to search for further devices after the latest attack on Heathrow early yesterday morning in which four mortars, fired from a heavily camouflaged launcher, failed to explode.

One mortar hit the roof of the airport's terminal 4, which was closed for eight hours, causing delays to flights. The IRA's ability to embarrass Britain's security forces and to provoke disruption repeatedly will today bring renewed calls at Westminster for tighter security measures. Ministers, however, will be anxious not to hand the IRA the type of propaganda coup entailed in bringing in army patrols. They are also keenly aware that tighter security measures in one location may only transfer IRA activity elsewhere.

Ministers could meet as early as today to decide whether to approve a high-profile army presence at airports to help deter further attacks. Downing Street said last night that Mr John Major, the prime minister, was in close touch with events and any requests for help from the army would be carefully considered.

Mr Paul Condon, Metropolitan Police commissioner, said some 20 army personnel with technical devices were assisting in the search for more mortars.

The police believe the mortar launchers involved in all three attacks were planted in the middle of last week and timed to go off at various intervals. "We are not facing audacious terrorists coming back night after night to thwart the security forces –these are cowards who secreted one or more devices and slunk away into the night," said Mr Condon.

Police say all the mortars contained explosives, were "potentially viable" and appeared to suffer from a consistent mechanical defect. But bomb disposal experts have not yet discovered why they failed to go off.

Mr Condon said it was not yet necessary to provide "reassuring" army patrols at Heathrow but he stressed that all options remained open and that the situation was being reviewed hourly. Armed police are patrolling Heathrow and have set up road blocks on routes into the airport. Police say it is almost impossible to protect Heathrow from the threat of attack, but Mr Condon urged the public not to "give in to the despair and despondency the terrorists want."

Hotels in London are fearful that the IRA attacks on Heathrow will lead to cancellations by businessmen and tourists this summer – particularly US visitors. "It is almost inevitable that this sort of thing leads to cancellations by Americans," said one official at London's Hilton Hotel.

But passengers setting off for London from New York's Kennedy airport said they thought it would have little immediate effect. One businessman boarding yesterday afternoon's BA Concorde flight to London said: "My sense is that incidents like this simply lead to tighter security, so it all balances out. My main concern is that the extra security will increase delays".

G7 summit squares up to jobs crisis

By George Graham in Washington

Finance and employment ministers from the Group of Seven leading industrial nations gathered in Detroit last night for a two-day brainstorming session on tackling the unemployment that besets their economies.

Although US officials insist there will be no final communiqué or any attempt at formal policy co-ordination, President Bill Clinton wants to use the conference conclusions as the basis for the July G7 summit in Naples to agree on a jobs plan.

For Mr Clinton, who will open the conference this morning, the meeting provides an opportunity to focus on themes central to his *administration's programme*, after weeks of being dogged by the Whitewater affair. The ramifications of Mr Clinton's investment in this Arkansas property venture in the 1980s brought about the resignation a week ago of *Mr Bernard Nussbaum*, the White House counsel, and on Friday dragged White House and Treasury officials before a grand jury for questioning.

Ministers from other G7 countries expect the Detroit meeting to agree on the need for labour market flexibility, education and training investment, and open trade.

Mr Larry Summers, US Treasury undersecretary for international affairs, says the employment issue is critically important for all G7 countries.

"If you asked on what criteria these democratically elected governments were going to be *judged by their electorates*, the answer was jobs. If they don't succeed in achieving that, they are very unlikely to achieve whatever else they want to achieve," Mr Summers said last week.

But the seven nations are not unanimous on how big a role economic stimulus, through lower interest rates or tax cuts, should play in jobs policy.

US officials do not want to turn the Detroit meeting into a shouting match with Germany's Bundesbank, but they continue to argue that Europe needs further interest rate cuts to spur growth and job creation.

Ms Laura Tyson, the chief White House economist, says she is yet to be convinced that Europe's unemployment problems are as much explained by structural problems, such as rigid labour market rules, as her *European counterparts argue.*

"Between 1986 and 1990 the European G7 countries added about 5m jobs and the unemployment rate went down from about 9 per cent to about 6.9 per cent. Since 1990 the unemployment *rate has gone up to about 9.2 per* cent and the level of employment has gone down by about 2m," said Ms Tyson.

"Unless you are willing to make the case that structural rigidities improved a lot between 1986 and 1990 and then got worse again, a lot of that deterioration has to be cyclical."

With Whitewater still dominating conversation in Washington, Mr Lloyd Cutler, the veteran lawyer brought in as the new White House counsel to help clean up the mess, yesterday promised "a good deal of disclosure". But he said he thought the investigation would uncover lit*tle in the way of wrongdoing.*

Rare consensus, Page 4
Michael Prowse, Page 13

Italy to fund Ilva early retirements

Continued from Page 1

restructuring settled, the group's privatisation will be accelerated. It is being split into two – flat products and special steels – while a third company will preside over Ilva's liquidation.

Last week the second phase of bidding for the two new steel companies closed.

Two groups are said to be interested in the flat products division based around Taranto.

One comprises local Taranto interests, Italian steel producer Falck, and foreign investors headed by Mr William Miller, US Treasury secretary under President Carter. The other is led by Italy's Lucchini steel group, and is reported to be backed by France's Usinor Sacilor.

Tokyo meltdown as unlucky coins lose all their glister

By Kenneth Gooding, Mining Correspondent, in London

An ill-starred issue of gold coins, minted to honour former Emperor Hirohito, has turned into a meltdown for the Japanese government – financially as well as literally.

The finance ministry stands to lose about Y270bn (£1.72bn) on the sale of 90 tonnes of gold obtained from melting down the coins, which were issued in 1986 and 1987 to commemorate Hirohito's 60 years on the throne. Leading traders say the loss is probably the largest any government has suffered through a gold sale.

The coins have been dogged by controversy and scandal. They were issued with a face value of Y100,000 each, but contained gold worth only half that. The government initially seemed to have made a profit of about Y500bn, but in 1990 Tokyo police claimed that counterfeit Hirohito coins were being imported into Japan. The report caused so much uncertainty that many Japanese sold their coins back to the Bank of Japan.

The "melt value" of each coin has fallen to about Y25,000 because the Japanese currency has strengthened and the gold price has fallen since they were issued. As the Bank of Japan has had to redeem all returned coins at face value, it could lose Y75,000 a coin.

The 90 tonnes of coins mentioned by the finance ministry last week is equivalent to about 4.5m Hirohito coins, each containing 20 grams of gold, according to gold dealers.

Mr Paul Davies, a British coin dealer from whom 3,200 allegedly counterfeit coins were confiscated, repeated at the weekend his belief that the coins in question were genuine. No charges have been brought against him. He is pursuing court actions against the Japanese authorities, seeking the return of the confiscated coins and asking for compensation.

The meltdown could affect sentiment in the gold market. Mr Andy Smith, analyst at the Union Bank of Switzerland, said: "The amount of gold is insignificant and the market will easily absorb it. But the symbolism of this is immeasurable."

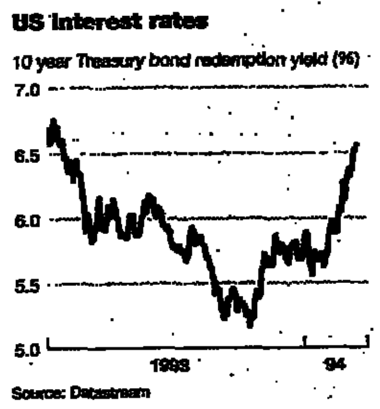
THE LEX COLUMN

No call for rights

One change in the UK equity market between this year and last is that while rumours of rights issues have continued at full flood, the supply of new paper has slowed to a trickle. The annual results season usually provides cover for companies to pass the hat round. Yet so far this year the only substantial issues have been from Burford to acquire some of Ladbroke's property, and GKN in its attempt to snare Westland.

In part that, and some unexpectedly generous dividend increases, reflect the improved financial position of companies. From a record financial deficit of 4 per cent of GDP five years ago the corporate sector has now moved back to surplus. In 1993, more than £10bn was raised in rights money, repairing balance sheets and forming a base for recovery. That additional equity, retained earnings, and reductions in working capital are probably sufficient to fund most internal needs. There may be some smaller issues from the harder hit and struggling businesses which often bring up the rear of the reporting season. But even here many of those companies which have not already had one rights issue have had two.

Large-scale equity may still be *raised to fund acquisitions. Returns on* capital have remained high through recession, and companies may view equity raised at current ratings as *cheap, even given the recent softness* in the market. Yet there is still great scepticism in boardrooms and institutions about the wisdom of bids. Whatever else may depress investors, rights issues are unlikely to slow equities down in 1994.



US bonds

The hunt for US inflationary demons will reach a peak of activity this week. Producer and consumer price figures for February, followed by the monthly report of the Philadelphia Federal Reserve, are likely to contain at least one scrap of data to suggest that inflationary pressure is growing. That points to another difficult week for US bonds, which on the basis of recent experience would send ripples through European markets too.

True, bears of US Treasuries have *had precious little real evidence to* chew on since Mr Alan Greenspan launched his pre-emptive strike on inflation by raising short-term rates. But it is a measure of the heightened sensitivity that indicators which would normally be given scant attention – such as the National Association of Purchasing Managers price index and the Philadelphia Fed report – have been thrust to centre stage. Besides, there is more to the nervous state of the bond market than the immediate economic indicators. Last week's tumble had more to do with President Clinton's growing embarrassment over Whitewater, which is unlikely to be relieved quickly.

Politics aside, calm will only be restored when bond market investors have a clearer view of Mr Greenspan's intentions from here on. That will probably take either another rise in short-term rates – already priced into bond yields – or evidence that the US *economy has slowed decisively from* the heady growth rate achieved in the final quarter of last year. Until that happens, US Treasuries remain in danger of being spooked by shadows.

Water

After a deluge of information last year, water company shareholders are suffering a drought. That unhappy situation is likely to continue until July when Ofwat, the industry regulator, unveils companies' price limits for the second half of the decade. Since the companies themselves will know Ofwat's decision in May – and will have to distribute the figures internally for planning purposes – the weeks running up to the official announcement are likely to be especially choppy. Let's hope that the Stock Exchange's watchdogs will be *more than usually alert.*

Capital spending plans for most water companies have been edging down as the government has relaxed water quality targets. Since lower spending means less borrowing, the companies might live comfortably with a tighter price cap as a result. But the benefit has not been spread evenly. Thanks to its peculiar geography, for example, Northumbrian Water's spending plans have crept higher. There must be a chance that at least one of the water companies will appeal to the Monopolies Commission.

A price cap which pushed interest cover close to two times might provoke such an appeal, on the grounds that the company would be unable to raise sufficient funding. Welsh Water's recent sterling bond included a cover ratio of 1.5 times in its covenants. But lenders will demand greater protection as water companies start to borrow in earnest. Whether Ofwat will be prepared to give ground on this issue if faced with the threat of appeal remains an open question.

Advertising

Employing the appropriate hyperbole, the prospects for the advertising industry seem absolutely fabulous. WPP has just reported a near-sevenfold increase in annual pre-tax profits – admittedly from an extremely depressed base – after its revenues grew 4 per cent in constant currency terms. Abbott Mead Vickers, which is more heavily exposed to the UK market, has reported a 26 per cent increase in underlying trading profits. The Advertising Association forecasts revenue will grow by 4 to 6 per cent in 1994 while many more bullish predictions abound. Those rising revenues flowing over trimmed cost bases *should ensure rapid earnings growth* and popping champagne corks in many a West End bistro.

Sadly, Saatchi & Saatchi is unlikely to share in the excitement when it reports its results on Tuesday. Rumours of board room friction have dogged the company. The remaining management time appears to have been absorbed in its attempts to get its bloated cost base under control. Whether that has proved successful will be revealed tomorrow, although the market has its doubts. The bigger worry is that Saatchi has taken its eye off the trading ball, shedding an embarrassing amount of market share. It warned in December it would lose £30m of revenue in 1994 following the *loss of accounts with Chrysler and* Helene Curtis. Saatchi has underperformed the market by 24 per cent over the past year when its rivals have substantially outperformed. That calls for no more creative excuses but some concrete solutions instead.

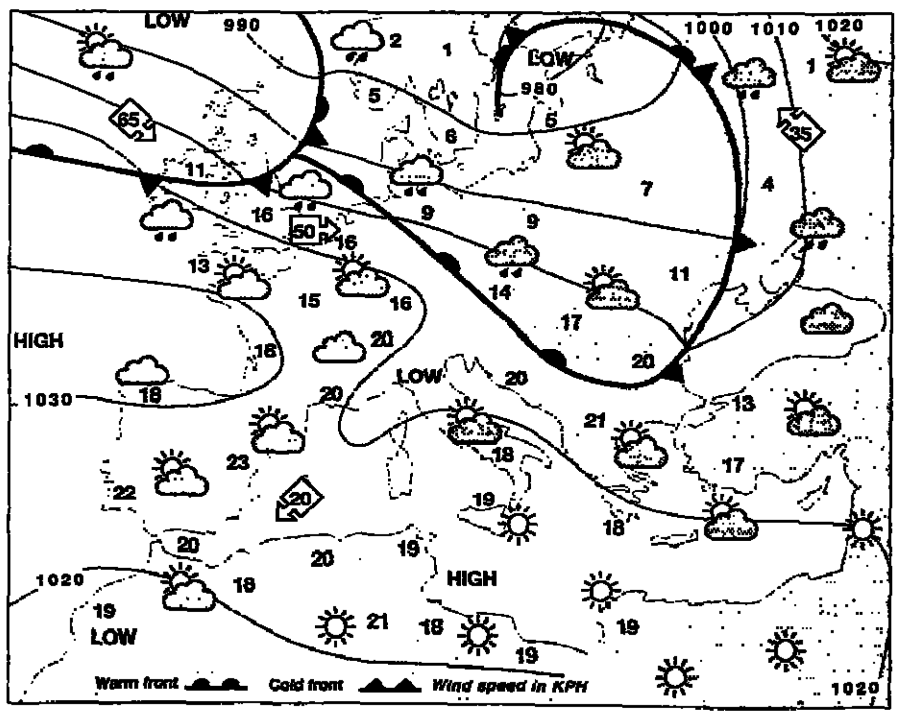
FT WEATHER GUIDE

Europe today

Low pressure will bring cloud and rain to western and northern Europe. A cold front from the north will reach England and Wales in the evening. Rain will spread south as a frontal disturbance moves towards the continent, reaching southern Norway in the course of the day. Low pressure over Scandinavia will bring snow to Finland and eastern Sweden. Benelux, Denmark, Germany and the Alps will be overcast with rain and strong wind. Spain and Portugal will have sunny spells, but the north will be cloudy. Italy, Greece and western Turkey will have periods of sun.

Five-day forecast

Low pressure will dominate the northern half of Europe by pushing frontal disturbances from the Atlantic towards the continent. As a result it will remain unsettled and at times windy in the UK and northern continent. Most of Sweden and Finland will be cold with frequent snow. The Mediterranean will be sunny with spring temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	30
Accra	sun	33
Algiers	fair	20
Amsterdam	shower	13
Athens	sun	19
B. Aires	sun	32
B.ham	cloudy	14
Bangkok	fair	35
Barcelona	fair	18
Beijing	sun	9
Belfast	shower	12
Belgrade	cloudy	21
Berlin	rain	11
Bermuda	cloudy	20
Bogota	fair	21
Bombay	sun	34
Brussels	cloudy	16
Budapest	cloudy	19
C.hagen	rain	8
Cairo	sun	19
Cape Town	fair	23
Caracas	fair	25
Cardiff	cloudy	13
Chicago	rain	10
Cologne	shower	16
D' Salaam	fair	31
Dakar	sun	23
Dallas	cloudy	18
Delhi	fair	32
Dubai	fair	31
Dublin	rain	12
Dubrovnik	fair	18
Edinburgh	shower	10
Faro	sun	21
Frankfurt	shower	15
Geneva	cloudy	16
Gibraltar	fair	18
Glasgow	shower	9
Hamburg	rain	10
Helsinki	sleet	3
Hong Kong	cloudy	18
Honolulu	fair	27
Istanbul	cloudy	13
Jersey	cloudy	10
Karachi	sun	34
Kuwait	sun	24
L. Angeles	sun	26
Las Palmas	cloudy	22
Lima	fair	27
Lisbon	fair	21
London	cloudy	16
Lux.bourg	cloudy	14
Lyon	cloudy	17
Madeira	cloudy	19
Madrid	fair	20
Majorca	fair	19
Malta	fair	18
Manchester	rain	13
Manila	cloudy	32
Melbourne	cloudy	18
Mexico City	fair	24
Miami	fair	25
Milan	cloudy	20
Montreal	cloudy	1
Moscow	sleet	2
Munich	shower	16
Nairobi	fair	28
Naples	cloudy	18
Nassau	fair	27
New York	shower	8
Nice	fair	18
Nicosia	fair	14
Oslo	cloudy	6
Paris	cloudy	16
Perth	sun	36
Prague	rain	12
Rangoon	fair	34
Reykjavik	snow	-1
Rio	fair	30
Riyadh	sun	26
Rome	fair	17
S. Frsco	fair	22
Seoul	fair	4
Singapore	cloudy	31
Stockholm	snow	0
Strasbourg	drzzl	18
Sydney	shower	24
Tangier	fair	20
Tel Aviv	fair	16
Tokyo	cloudy	8
Toronto	fair	4
Tunis	fair	19
Vancouver	rain	11
Venice	cloudy	17
Vienna	drzzl	18
Warsaw	shower	8
Washington	fair	13
Wellington	shower	20
Winnipeg	fair	6
Zurich	cloudy	17

FINANCIAL TIMES
COMPANIES & MARKETS

Monday March 14 1994

Gas venture links Russia and Finland

By Robert Corzine in London

Gazprom, the Russian monopoly gas company, is to take a 25 per cent stake in a new joint venture with Neste, the Finnish state energy group, in a deal that will lead to a substantial increase in Russian gas exports to Finland.

Neste will place its natural gas division into the joint venture, which is due to begin in May. In 1992 the division, which is the sole supplier of gas in Finland, accounted for 3 per cent of Neste's total net sales and 2 per cent of its investment.

The new company would have net sales of around FM1.5bn ($250m). Total capital in the venture will be FM2.5bn, of which 40 per cent will be equity. Gazprom's stake of the equity capital would be around FM250m, according to Mr Jaakko Ihamuotila, Neste's chief executive officer.

"The intention is to seek a stock exchange listing for the company," he said. That could happen as early as May next year.

The deal with Gazprom includes a new 20-year gas supply contract, under which Finnish imports of Russian gas could rise to more than 4bn cubic metres a year from the present level of 2.9bn cubic metres.

Neste said it had encouraged Gazprom to enter the joint venture because the holding will strengthen Gazprom's interest in developing the Finnish gas market. It will also encourage Gazprom to increase its transmission capacity to Finland, say Neste officials.

Natural gas accounts for about 8 per cent of total Finnish energy demand, with the main users being power stations and large industrial customers. Demand is expected to grow strongly in coming years, although there has been uncertainty over the source of future supplies.

Russia has supplied gas to Finland since 1974, and although there has been no disruption in shipments in recent years, Finns have looked at ways to lessen their dependence. Neste has been investigating the feasibility of a pipeline linking Norway's offshore gas fields to Sweden and Finland, a project whose future may now be in some doubt.

Gazprom, the world's largest gas producer, has a number of partnerships and joint ventures in Austria, Germany, France and Italy.

Flotation may value Ashanti at £1.5bn

By Kenneth Gooding, Mining Correspondent, in London

Preparations for the biggest gold mining company flotation for many years – that of Ashanti Gold Fields of Ghana – are to be stepped up this week in London.

Brokers James Capel and merchant bank Morgan Grenfell are expected to give an indication in the pathfinder prospectus of the range in which the shares will be priced, because the Ghana Exchange, where 5 per cent of Ashanti will be sold, insists this is provided. The brokers are likely to ask for a slight premium over most South African gold mining companies, suggesting Ashanti will be valued at £1.5bn ($2.2bn).

The Ghanaian government, the majority shareholder, is to sell 25 per cent of Ashanti. Lonrho, the UK-based trading group, has indicated it will not sell any of its 49 stake.

There have been some indications that Ashanti might use the opportunity to raise new capital. The group is coming to the end of a substantial investment programme, so that in 1996 it will join the handful of gold companies producing more than one million troy ounces a year.

IBM and Motorola's chips pose a real challenge, writes **Louise Kehoe**

Apple launches assault on Intel

Apple Computer's introduction today of Macintosh computers based on a new PowerPC microprocessor chip will kick off a high stakes technology battle in the personal computer industry.

Apple and its PowerPC allies, International Business Machines and Motorola, aim to end the hegemony of Intel, the world's largest chip maker, which last year supplied about 80 per cent of the microprocessor chips used in PCs and recorded $2.3bn in net profits, more than the rest of the top 10 US semiconductor manufacturers combined.

The PowerPC, manufactured by Motorola and IBM, is the first credible challenger to Intel's dominant microprocessors in over a decade. Based on IBM Reduced Instruction Set Computing (RISC) technology, it is faster, smaller and cheaper than the current version of Intel's top-of-the-line Pentium chip.

For IBM, PowerPC represents a chance to grab a bigger share of the profits to be made in the desktop computer business, and to be less dependent upon Intel. The new chip refreshes Motorola's fading microprocessor technology and gives the performance of Apple's Macintosh a much needed boost. Microsoft, the leading PC software company, cannot lose. Whatever the outcome of the technology battle, it is likely to remain the biggest software supplier.

Motorola and IBM are drumming up support for PowerPC among computer manufacturers to establish it as a new industry standard. IBM is expected to launch its own range of PowerPC personal computers later this year.

Apple's "Power Macintosh" will, however, be the critical market test of the new technology. Apple today will introduce three new models, ranging in price from $1,819 to $5,309 and aimed at business users. Over the next three years, Apple plans to replace all its products with PowerPC versions.

Apple's prices are aggressive, undercutting the well-known PC brands such as Compaq and Dell using Intel Pentium chips. However, the Intel camp has a huge advantage in the vast selection of software applications available for its PCs.

Apple says that 150 independent software developers are committed to designing Power Macintosh applications over the next few months. Yet computer buyers visiting stores this week are unlikely to find any Power Macintosh programs. Early purchasers of the new computers will have to use software designed for Apple's established Macintosh computers, or for Microsoft's Windows operating system.

When forced to mimic other computers, the PowerPC slows down significantly, to the speed of a low-end Intel chip or one of the older Motorola chips used by Apple. With its performance advantage stifled, the Power Macintosh becomes a less compelling product.

For Apple, the introduction of "Power Macintosh" also represents a tricky product transition. Apple has followed the "conventional wisdom" by offering Power Macintosh to business users first. Home buyers, it believes, will be satisfied with slower Macintosh models. Only toward the end of its planned three-year transition to PowerPC does Apple plan to offer such high performance in consumer products.

However, sales of existing Macintosh products to business users have slowed in the past couple of months, Mr Ian Diery, Apple's executive vice-president, acknowledges. Consumer sales are currently growing faster. Almost half of all PCs sold last year went to home users – whether for personal or home office use.

Meanwhile, Intel is accelerating the pace of its microprocessor technology development in a bid to speed away from the PowerPC and mounting competition from other chip makers that "clone" its chips. Last month Intel slashed its prices. Earlier this week, the chip maker announced new versions of its Pentium microprocessor that outperform the PowerPC chips used by Apple. While it may be several months before PCs with the new chips come to market, Intel is already working on its next generation of microprocessors, code-named P6, which are expected early next year.

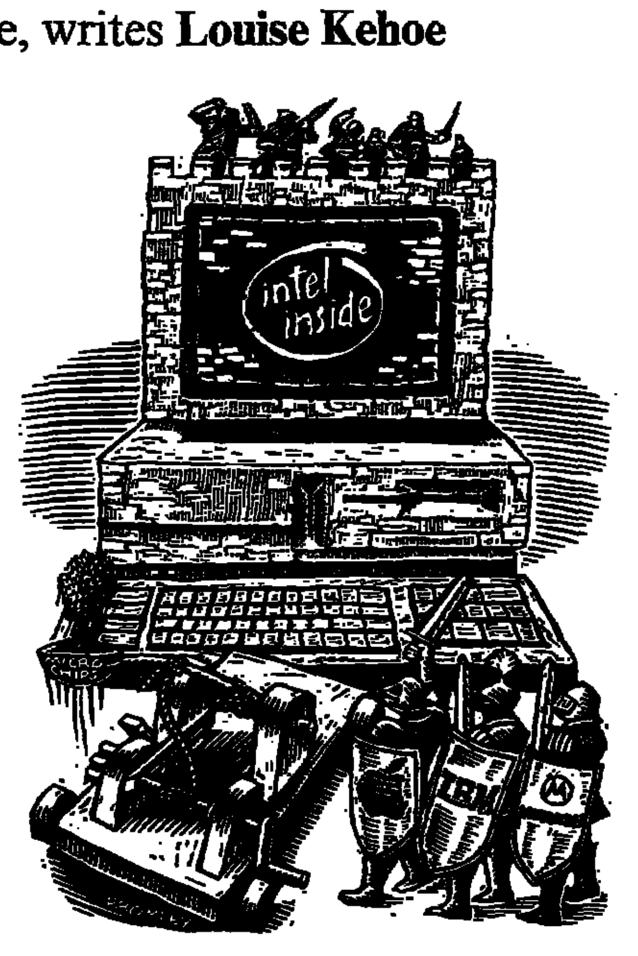
Even by combining their efforts, IBM and Motorola will be hard pressed to keep up with Intel's $1.1bn 1994 product development budget and the $2.4bn that it plans to spend on new plants and equipment.

Last year Intel shipped more than 30m microprocessors to PC manufacturers. In comparison, Apple's goal of selling one million Power Macintosh computers over the next 12 months seems quite modest.

Yet Intel is keenly aware that PowerPC could pose a real threat if it gains market momentum. IBM's introduction of PowerPC computers later this year will place Intel in the awkward position of competing with its largest customer.

Unlike Apple, IBM does not plan to replace its current personal computer products with PowerPC computers. Instead, it has formed a new division that will effectively compete with its own Intel-based PCs.

For Intel, therefore, the challenge is to minimise the impact of PowerPC in the personal computer market until IBM sorts out its priorities. This makes Apple, as the advanced guard of the PowerPC, a target of Intel's notoriously tough competitive tactics. Ready or not, Apple may be in for the fight of its life.



UK dividend rises exceed expectations

By Maggie Urry in London

With the UK results season well in train, the London stock market has reason to be encouraged by the reports from the corporate battle front. There have been few nasty shocks among large companies, while dividend increases have exceeded expectations.

Nearly all of the financial sector has reported on 1993, while around a third of industrial groups have announced.

If there has been any disappointment with reported profits figures, it is largely due to higher than expected provisions. Perhaps the largest surprise came from British Gas, which announced a £1.65bn ($2.4bn) restructuring charge, while Unilever set aside £490m for reorganisation, and British Aerospace's profits were hit by a £308m exceptional charge.

Even so, some take comfort from the view that one year's provisions are the next year's profit increases.

The forecasts for corporate profits are distorted also by the introduction of the FRS 3 accounting standard, which has put such provisions above the line. Thus many brokers have two forecasts, one for FRS 3 profits and a second of underlying profits.

Mr Mark Brown, strategist at Hoare Govett, the stockbrokers, says he is disappointed by the results so far but blames the higher incidence of provisions. His forecast of an FRS 3 pre-tax profits rise of 35 per cent for the industrial sector has been undershot so far by 13 percentage points.

By contrast, Mr Roger Barker, equity strategist at UBS, the securities house, says he is happy with the results he has seen. He expects his 13 per cent forecast for underlying industrial profits growth from the top 250 companies in 1993 to be beaten, with the out-turn probably at around 16 per cent by the time the results season winds up at the end of this month. That ties in with Mr Brown's calculation that earnings growth stripping out exceptionals has been 17 per cent from industrial companies that have reported so far.

Like UBS's Mr Barker, Mr Robert Buckland at NatWest Markets says that the results so far have been much in line with expectations. There has been no rush to downgrade 1994 forecasts as there would have been if companies had disappointed, he says.

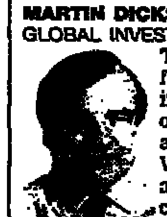
The good news has been on

Continued on next page

Markets this week

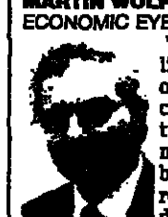
Starting on page 18

MARTIN DICKSON:
GLOBAL INVESTOR



The statistics for US inflation due out tomorrow and Wednesday, allied to the continuing Whitewater scandal in Washington, could lead to nervousness in the US capital markets this week. Page 18

MARTIN WOLF:
ECONOMIC EYE



The "new liberalisation" of developing countries' trade policies may not just be a knee-jerk response to a deteriorating current account and could lead to a big expansion of international trade. Page 18

Bonds:
After under-performing conventional UK government bonds during the recent bond market sell-off, index-linked gilts could outperform the conventional sector.
Page 20

Equities:
Bond markets are still capable of throwing UK equities back on their heels and are likely to present fresh challenges this week.
Page 21

Emerging markets:
The Hong Kong stock exchange wants to strengthen its role as a financial centre by embracing Wall Street's standards and philosophies.
Page 19

Currencies:
Key CPI and PPI releases in the US will provide a focus for foreign exchanges nervous about interest rates.
Page 19

STATISTICS

This week: Company news

BAYER/BASF

Chemicals may soon yield a sweeter smell

Germany's recovering chemicals stocks are expected to be given a further boost tomorrow when Bayer, star of the domestic sector, officially closes its books for 1993.

Although Mr Manfred Schneider, chairman, has already as good as promised an unchanged DM11 ($6.20) pay-out for the year, noting in January that fourth quarter earnings and sales seemed better than expected, the market is hungry for any snippets which support its view that the chemicals cycle is out of the dumps.

If Tuesday's announcement, following a meeting of the supervisory board, follows tradition, there will be little indication of progress in the current year.

A clearer picture of present conditions and prospects can be expected on Thursday and Friday, when BASF and Bayer host their annual press conferences. BASF, which is considered the most sensitive of the German chemicals groups to the vagaries of the cycle, last week unveiled a DM2 cut to DM8 in its 1993 pay-out. But that had long been discounted by the markets, and the news did nothing to affect the stock's recent sharp climb.

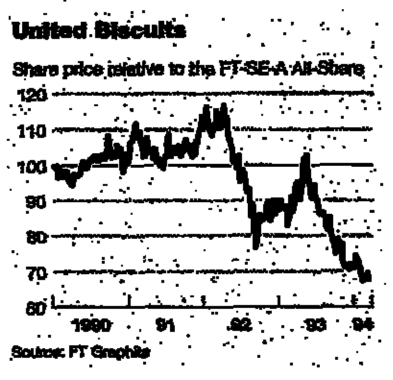
Hoechst, which meets the press a week tomorrow, has also proposed a DM7 dividend – down DM2, but better than many expected.

While none of the big three's chairmen is likely to be remotely bullish, analysts like what they have seen in the past 12 months.

Looking beyond falling 1993 profits – figures worsened by high rationalisation costs – deals like the merger of Hoechst and Wacker's PVC businesses, BASF's purchase of ICI's polypropylene division, and Bayer's recent move into the US generic drugs market, have persuaded them that substantial restructuring and a purposeful search for new profit centres are under way.

United Biscuits

Share price relative to the FT-SE-A All-Share



Source: FT Graphite

UNITED BISCUITS

Questions of survival if results disappoint

With luck, United Biscuits' full year figures on Thursday will be bad. Otherwise they will be awful. The chief uncertainty is how much UB will write off in closures and restructuring at its struggling US subsidiary, Keebler. However, it seems clear that profits will be down not only in the US, but in UB's British heartland as well.

The worse the figures, the more questions will be asked about UB's survival as an independent entity. While the food industry becomes more global, UB risks going the other way. Even in 1992, the UK made up three quarters of its profit. At this rate, the company could end up more dependent on its home market than a decade ago. In a world increasingly dominated by monsters like Nestlé this is not a sustainable strategy.

A best guess for pre-tax profit is around £170m ($248.20) compared to £162m the year before. This allows only for exceptional events already announced: the closure of one US factory and the sale of the Ortiz business in Spain, more than offset by the profit on the sale of Terry's chocolate. In other words, underlying profits may be down for the second year running. Stated earnings may be down too, though with luck the dividend will be held. All that is on the basis of only £12m write-offs at Keebler. Much more than that, and the vultures could start circling.

OTHER COMPANIES

Reed Elsevier under post-merger scrutiny

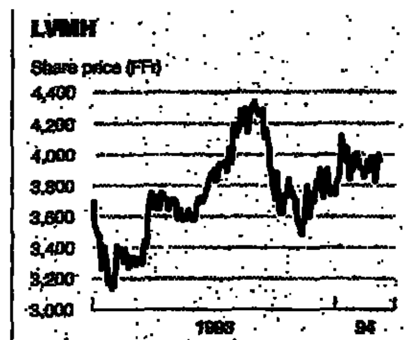
Reed Elsevier, the Anglo-Dutch publishing group, will announce on Thursday its first full-year results since the merger. Analysts are forecasting pre-tax profits of around £530m ($773.8m). Mr Derek Terrington, media analyst at Kleinwort Benson, says that as well as a pre-tax figure of £530m – £280m for Reed's share – he will be looking for further evidence that the merger is producing benefits. Ms Lorna Tilbian of S.G. Warburg is looking for £535m – £283m accounted for by Reed. During the year the group finally took over Official Airline Guides, sold its stake in British Sky Broadcasting and expanded into legal publishing in France and Italy. More small-to-medium "filling in" acquisitions are now expected to add to Reed Elsevier's professional and specialist publishing activities.

■ **Hoogovens:** The Dutch steel and aluminium company will publish annual figures on Thursday which are expected to show an improved trend in steel but continued difficulties in aluminium. The company, which raised Fl362m ($189m) through a rights issue in late 1993, is struggling to contain costs but it is also at the mercy of factors beyond its control, such as the flood of cheap aluminium from the former Soviet Union.

■ **LVMH:** Investors have long been prepared for gloomy news when the French luxury goods group publishes its 1993 results on Thursday. Mr Bernard Arnault, chairman, warned last autumn that 1993 had been a tough year. Hoare Govett in Paris expects net profits to have slipped to FFr2.9bn ($490m) in 1993 from FFr3bn in 1992. Mr Arnault can offer the consolation that the recent reshuffle of LVMH's cross-shareholding with Guinness has revitalised its finances.

LVMH

Share price (FFr)



Source: Datastream

■ **Nordbanken:** A row over the extent of state aid doled out to keep Sweden's Nordbanken afloat last year is set to deepen as the bank, cleansed of its bad loans, pumped full of new capital and strengthened by its takeover of a similarly laundered Gota Bank, announces 1993 profits on Thursday comfortably higher than any of its rivals.

■ **Société Générale de Surveillance:** The unique Geneva-based group that inspects shipments and tests products for governments and manufacturers throughout the world, puts itself up for inspection tomorrow morning. Net profits for 1993 are not expected to be much different from the SFr194m ($131m) earned in 1992, but the assessment of the group's prospects by Mr Thierry Chéreau, the new chief executive taken from Source Perrier a year ago, will be inspected carefully.

Companies in this issue

Hamleys to float with £40m tag

By Neil Buckley

Hamleys, the Regent Street toy shop, is to be floated on the Stock Exchange to fund more store openings.

The company revealed its intentions as it announced a 50 per cent increase in operating profits from £2.4m to £3.6m for the year to January 29. Turnover grew by 17 per cent to £20.9m (£17.9m).

The flotation, which will be primarily through a share placing, is expected to value the company at between £35m and £40m.

The proceeds will pay off debt of about £14m and fund more store openings.

After opening outlets at London's Covent Garden and at Heathrow and Gatwick airports, the company is considering stores in overseas airports, the Channel Tunnel complex, and other areas with high tourist densities.

Hamleys recently did a deal to operate toy concessions in some House of Fraser department stores. It also sees opportunities for "limited expansion overseas" and development of the Hamleys brand.

The company's operating profits have almost trebled in a three-year development programme implemented by Mr Howard Dyer, chief executive and former head of US operations at Williams Holdings, and operations director Mr Stephen Woodbridge, a former colleague from Williams.

Hamleys was acquired in a £32m management buy-in from Lowndes Queensway led by Citicorp Venture Capital in 1989, shortly after Jimmy Gulliver's group bought Harris Queensway from Sir Philip Harris.

Citicorp invited Mr Dyer to draw up a management plan for the business in 1991. He reduced costs, improved the retailing operations, purchasing and management systems, and carried out a £3m revamp of the Regent Street store.

His reward is to be promoted to chairman now the company is seeking a listing, while Mr Woodbridge becomes managing director.

Mr Rupert Hambro, non-executive chairman since 1989, remains as a non-executive director and chairman of newly-appointed audit and remuneration committees.

Mr Dyer sees important opportunities for Hamleys as a "retailer to the tourist trade". But he does not intend to fol*low the example of Sir Philip* Harris, who opened other Hamleys stores, such as those in Birmingham and Edinburgh, which were unsuccessful.

Analysts suggest that the toy trade is too seasonal – with up to 75 per cent of sales being made at Christmas – for Hamleys stores to be profitable in cities without the tourist traffic of London.

But its Heathrow Airport and Covent Garden stores have proved a success, as has its deal with British Airways to provide child passengers with packs of toys branded with the Hamleys name.

UK fund managers cautious on Europe

The weakness in global equity and bond markets during February did not produce many significant shifts in investment policy among UK fund managers, according to the monthly Smith New Court/ Gallup survey of investor intentions.

Although less inclined to run down their holdings of European equities than last month, the latest survey found that managers continue to be much more cautious about the near-term outlook for European equities than was the case towards the end of last year.

The German market is the one where fund managers were most likely to reduce their exposure. In contrast, the UK and Japanese markets continue to be ones which managers expected to do best over the next three months

Fund managers' optimism about the outlook for the UK economy has faded a little, however, with the percentage expecting conditions to improve over the next 12 months remaining at 88 per cent. Only 17 per cent expect the economy to get "a lot better" compared with 21 per cent in February.

Institutions have also raised their forecasts on dividend growth from 6.3 per cent to 6.9 per cent.

Flexible Manufacturing sold to Giddings & Lewis

By Andrew Baxter

The UK *subsidiary of Giddings* & Lewis, the US machine tool producer, has bought the key assets of Flexible Manufacturing Technology, the Brighton-based machine tool builder which called in the receivers last month.

The sale effectively ends the presence of UK-owned companies in the production of big machine tool cells and systems. Mr Mike Bright, former chairman and driving force behind FMT, is not included in the deal.

The deal, for which terms were not disclosed, was clinched last Thursday with Ernst & Young, the receivers.

G&L, which has its UK base at Knowsley, Merseyside, fought off bids from a number of potential buyers. It is buying the FMT name and that of Kearns-Richards, the Altrincham-based FMT unit, along with engineering and patent rights, and the service, spare parts and machine rebuild businesses.

The acquisition does not include any of FMT's facilities, nor FMT's Noble & Lund unit, which makes big milling machines.

G&L said on Friday it would be taking on about 30 FMT service engineers and other staff. This would leave between 50 and 60 employees at FMT, but the receivers are making some further redundancies at Brighton. Work in progress is being completed there over the next few months.

G&L said the acquired businesses would ultimately be moved to Knowsley. The deal would expand its customer base and underline its financial strength through *its ability* to acquire struggling businesses.

If it wished, G&L would be able to manufacture machining centres under the FMT name, although observers consider this unlikely. But it will in any case be gaining a profitable spares and service business.

The deal is another twist in the chequered history of FMT, whose predecessor companies employed thousands in the 1950s and 1960s.

A deal in 1973 created Kearney and Trecker, Marwin, which became a subsidiary of Vickers in 1977. In 1988 Mr Bright led a management buy-out of what was then still called KTM.

DCS rights to fund purchases

DCS, the computer software supplier, is calling for £1.05m net via a rights issue of 2.33m new ordinary shares on a 1-for-3 basis at 55p a share, to fund two acquisitions.

These are Motis, and the DMS division of GSI UK – suppliers of computer systems and services to the automotive industry.

Motis will receive £300,000 in cash plus the allotment to certain vendors of 126,866 new ordinary shares worth £85,000. The maximum consideration for DMS is £400,000.

BP cuts finding costs to $3.51 per barrel

By Robert Corzine

British Petroleum succeeded last year in lowering its finding costs and more than replacing its oil and gas production, according to the company's annual report.

Figures show that the company's reserve replacement ratio for oil and gas was more than 125 per cent. Finding costs fell to $3.51 (£2.40) per barrel of oil equivalent, compared with $4.41 in 1992. Anything under $4 is considered good, according to analysts.

Revisions to existing reserves helped to boost the reserve replacement figure. Such revisions are often made after new production fields are brought on stream.

The good finding cost figure reflects, in part, the cost controls which have been imposed in BP's exploration and production division, according to Mr Jeremy Hudson, an analyst with Lehman Brothers.

Hardy quits Yorkshire TV

Mr Allan Hardy has resigned as group commercial director of Yorkshire-Tyne Tees Television, writes David Blackwell.

Last December the company warned of losses for the year ended that September, but the deficit of £7.88m, announced in January, was lower than expected.

Directors said it had been a difficult year, "because certain sales policies were pursued which damaged the company both in terms of its reputation and perception."

Badgerline warns of losses

By David Blackwell

Badgerline, the Avon-based bus company which last Monday announced doubled pre-tax profits for 1993, is likely to be in the red after restating the figures following the rejection of planning permission for a supermarket at one of its depots.

The planning refusal will lead to a £5.2m write-down of the depot's value in the company's balance sheet, with a net £5.2m being written off pre-tax profits, directors explained.

Badgerline, which was floated last November, achieved pre-tax profits of £6.9m, compared with £3.2m.

A public inquiry concerning the company's Kensington depot in Bath, where Safeway wanted to build a supermarket, closed on January 20, but early last week the company was still awaiting a decision. Two other schemes for supermarkets in Bath were also turned down.

Mr Trevor Smallwood, executive chairman, said the group was disappointed by the Secretary of State's rejection of the plans. He said the write-down would have no impact in terms of the group's continuing profitability.

UK dividend increases exceed expectations

Continued from previous page

the dividend front. Large or unexpected increases have come from Vickers, Glaxo, SmithKline Beecham, Reuters, BTR, Standard Chartered and BAT Industries. At the other end of the scale, Fisons and Ladbroke have each roughly halved their payments.

As a result, forecasts of dividend growth in 1993 will have been too pessimistic. UBS's forecast of 3 per cent growth could turn out to be 2 percentage points too low, says Mr Barker. At Hoare Govett, Mr Brown says dividends reported so far by large industrial groups are up 8 per cent.

Analysts had expected companies to rebuild their dividend cover before increasing payouts significantly. But it appears that companies are taking advantage of their much strengthened financial position to reward shareholders and possibly they are sufficiently convinced that the UK has entered a low-inflation era to feel comfortable with lower levels of cover. In addition, perhaps they are showing in dividends a greater confidence about 1994 than they have been prepared to express in chairmen's statements.

This also explains the lack of rights issues. Only last week Barclays Bank, BAT and Cadbury Schweppes all denied plans to call on shareholders for new capital. Only two rights issues so far this year have exceeded £100m, from GKN and Burford Holdings. Those and the third largest, Berisford International's £56.1m call, were all to finance acquisitions.

After £30bn of rights issues in the past four years, the corporate sector is now sporting a financial surplus instead of a deficit. Takeover activity – aside from the three mentioned – has been low.

In the coming months one question exercising the minds of companies and economists is whether that financial strength will be channelled into investment to build new capacity, which will be required as demand in the economy picks up.

If the results season has been generally better than expected, it has not been reflected in the performance of the stock market. Equities have been affected by other concerns, such as the performance of the bond markets and worries over interest rates. As Mr Barker observes, many companies need to produce good profit increases simply to justify the ratings their shares are on.

At Hoare Govett, Mr Brown is advising investors to stick with the companies which are increasing dividends by more than the average. With uncertainty abounding in markets, investors are attracted to higher yields and faster dividend growth.

These, he feels, will come from the consumer and service sectors, where dividend cover is higher and the potential for growth better than in the manufacturing area, where profits may recover but dividend cover is still low. Glynwed, for instance, reported a 47 per cent rise in profits, but it has paid the same dividend for five years in a row and this is the first time in three years it has been covered by earnings.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Mercedes-Benz (Germany)/Telco(India)	Mercedes-Benz India(JV)	Vehicle manufacture	£97m	Car assembly venture
Tomkins(UK)	Units of Noma Industries (Canada)	Garden equipment	£88m	Price to be finalised
Care America (US)	Unit of C E Heath Int'l (Australia)	Insurance	£63m	Heath selling California arm
CPC International(US)/ Tongaat-Hulett(S Africa)	CPC Tongaat Foods (JV)	Food	£17.7m	SA re-investment continues
ACAL(UK)	EAF (Netherlands)	Computer services	£14.8m	Maximum price payable
Ticketmaster (US)	Pacer Cats (UK)	Ticketing	£11m	Wembley debt cut sale
ICI (UK)/Amoco (US) c	Yizheng Chemical Fibre (China)	Fibres	£8m	Small strategic stakes
Argentaria(Spain)	Unit of WMI (US/UK)	Waste management	£3.9m	WMI selling 40% stake
Euromoney (UK)	Engel Publishing (US)	Publishing	£0.9m	Profit-related price
Thorn EMI (UK)	Intercord Ton (Germany)	Music	n/a	Buying major independent

Managers in buy-out at Radio Marconi

By Peter Wise in Lisbon

A group of 40 managers at Radio Marconi, Portugal's intercontinental telecommunications operator, plan a Es30bn ($170m) management buy-out.

The government has welcomed the bid for the state's 51 per cent holding, a manager said.

The plan also has the support of UK and US institutional investors who own 30 per cent of company, he said.

The management group, led by Mr Francisco Murteira Nabo, president of the holding company for Radio Marconi's overseas subsidiaries, aims to complete the buy-out by June with financial backing from foreign and domestic banks and investors.

Under the plan, Radio Marconi would hand over its concession to operate intercontinental telephone services to Portugal Telecom, the single operator to be formed in April from the merger of Portugal's two other wholly state-owned telecommunications companies.

The managers want Radio Marconi to keep – and possibly increase – its 33 per cent shareholding in Telecomunicacoes Moveis Nacionais (TMN), a mobile telephone operator, and the business of 40 subsidiaries operating in 18 countries.

Radio Marconi's sales were Es46.5bn in 1993 and net profits totalled Es4.2bn.

The buy-out would resolve what otherwise threatens to be a complex question of the state reaching agreement with Radio Marconi's private shareholders on a merger with Portugal Telecom.

However, officials indicated that the government may be reluctant to allow a wholly private-sector Radio Marconi to keep its stake in TMN.

The group plans to invite Mr Goncalo Sequeira Braga, Radio Marconi president, and other members of the executive board to join them in the buy-out.

Employees in all of Portugal's telecommunications companies would also be invited to invest.

Viag gets a Bavarian ring-fence

Christopher Parkes on Germany's biggest privatisation to date

Anyone who still believes Germany's revived enthusiasm for privatisation will open the way for participation in key sectors by outsiders needs look no further than this week's sale of Bavaria's state-owned electricity utility to Viag to confirm that this is hardly the case.

In a deal described as Germany's biggest privatisation to date, Viag agreed to take full control of Bayernwerk and all its appendages, including a 24.9 per cent stake in Viag. In return, the Bavarian government is to walk away with a thumping DM2.3bn ($1.3bn) in cash *plus* a minority blocking stake of 25.1 per cent in the enlarged Viag group.

Just to be on the safe side, the ring-fence around Viag is reinforced by hefty stakes in the safe custody of other Bavarian institutions. Local banks, led by the Bayerische Vereinsbank have 15 per cent and Mr August von Finck, of the famous local banking family, has 13.5 per cent.

Announcing the deal on Thursday, Mr Edmund Stoiber, Bavarian prime minister, solemnly underscored his commitment to privatisation local-style with a promise that the 25.1 per cent in the enlarged Viag (which is to move its headquarters from Bonn to Munich) would be sold within the next five years. It would go, he said, to a "sensible" circle of shareholders – in the interests of securing a "solid energy policy for Bavaria".

Viag executives, keen to promote the group as an international business (30 per cent of the stock is held by non-German investors) declared themselves comfortable with a loyal local band around them. It offered "protection against raiders" while they got on with the job of restructuring.

"Raiders" was also a notional threat which worried Mr Werner Lamby, former chairman. But that was back in 1989, one year after the Bonn government sold its last 60 per cent stake in Viag. At that time the group's rapid-fire acquisitions were attracting favourable attention, while rumours of a looming break-up bid were exciting speculative share buyers.

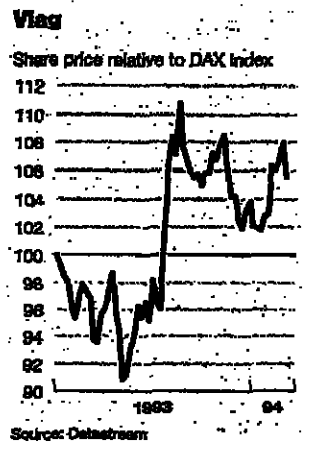
Viag's shares had consistently out-performed the stock market since the first stage of privatisation in 1986, and were to continue to do so until late 1991.

That was when markets decided the buying spree and diversification had gone far enough and it was time for a little consolidation. Now, involved in nine disparate industrial divisions – energy, aluminium, transport, trading, packaging, paper, refractory products, chemicals and a fledgling corporate communications business – Viag suggests it is ready to put a little more capital investment behind its helpful if rather hesitant progress so far.

In the recent past the VAW

Viag

Share price relative to DAX index



Source: Datastream

aluminium business has benefited from investments to increase output of packaging materials. A new plant to supply engine blocks for Ford reflects a potential-oriented policy move towards the motor vehicle industry. But VAW still runs Germany's largest aluminium smelter, even though production costs are a third higher than in other industrialised countries.

Mr Georg Obermeier, finance director, who two years ago spoke of "dressing the VAW bride" in preparation for a part-flotation, accepts that a primary source of the metal is not an essential adjunct to a successful aluminium processor.

The SKW Trostberg chemicals business has been largely purged of loss-making operations, but it has still not found the partner or partners required to give it critical mass in its most promising business supplying the construction industry. According to Mr Obermeier, negotiations to take a body-building stake in the Goldschmidt group are well-advanced, and "promising" talks are under way on at least two other fronts.

Paper production is a "not-so-core" business, he says. The same goes for Didier-Werke, the refractory products specialist, which has suffered from contraction and fading investment among some of its principal customers in the steel industry.

Unveiling the new-look Viag at a press conference on Thursday, Mr Obermeier and his colleagues strove purposely to present a picture of newly-dynamised group poised for a renewed surge of growth. The company would not shy away from disinvestment or finding new homes for some businesses, declared Mr Jochen Holzer, supervisory board chairman. Mr Obermeier promised strong future growth and an early return to a progressive dividend policy.

The Frankfurt stock market, unable to rush to judgment on Thursday, when Viag shares were suspended for the announcement of the terms of the Bayernwerk deal, delivered it the following day, marking Viag shares down more than 6 per cent to DM458.50.

Microsoft to test PC network

Microsoft, the world's largest computer software company, plans to test its new cable television network dedicated to personal computing in April, Reuter reports from Lisbon.

Mr Bill Gates, Microsoft's chairman, said over the weekend: "We'll set up five or six pilot stations, one of them definitely in Europe. The first tests should take place in April 1995."

He told a news conference at a seminar in Lisbon that locations for the other channels had not yet been decided.

Plans for setting up the new channel, which is being formed with Tele-Communications, the largest cable TV operator in the US, were announced last week.

The cable network will review new types of software, video games and financial software, and is expected to be available within 18 months.

"We want to create an easy-

Bill Gates: Looking for ways to boost European exposure

to-use interface on a lot of applications. Next year's pilot will see if its worthwhile aggressively building the rest of a high-speed optic fibre network," Mr Gates said. "We're betting on the market and investing over $100m a year."

He said that Microsoft would not make any programmes for the channel but would provide software applications.

The two companies also plan to test a joint interactive cable TV system based on Microsoft's software and Telecomm's digital interactive network.

Europe provided a growing market for home personal computers, Mr Gates said. "The market has already taken off in the United States and we're anticipating that in Europe over the next several years."

He said that Microsoft was looking into ways to boost distribution, availability and exposure of personal computer products in the European market.

"The PC user is different from the corporate one. These are not things we'd do for our historic products," Mr Gates said.

Dresdner Bank forms research unit

By David Waller in Frankfurt

Dresdner Bank, Germany's second biggest bank, has set up a new research unit to beef up its international securities markets activities.

Dresdner International Research Institute (DIRI), will provide research into equities and fixed-income securities as well as advice on investors' asset allocation strategies.

Mr Bernhard Walther, chief executive, says the move will help the bank compete more effectively with research provided by Anglo-American and Japanese securities institutions based primarily in London.

The move follows a similar step from Deutsche Bank, Germany's biggest bank, which set up DB Research in 1992.

The aim is to provide a high degree of independence from the parent bank, with the aim of ironing out possible conflicts of interest with buyers of stocks and bonds.

These conflicts are accentuated by the German universal banking system, which allows banks to provide a vast range of lending and advisory services under one roof and trade securities on their account.

Although Mr Klaus Friedrich, Dresdner's chief executive, is managing director of the new institute, the bank's macroeconomics research will be not be absorbed into DIRI.

Euro Disney chief forecasts more losses

Euro Disney faces losses for 1993-94, even if creditor banks and Walt Disney, its largest shareholder, agree on a financial rescue package for the struggling amusement park owner, AP-DJ reports from Paris.

In a report to be presented at today's annual stockholders meeting, Mr Philippe Bourguignon, the chairman of Euro Disney, says that the deficit will continue in the second half of this year, ending September.

Euro Disney is working against a March 31 deadline to agree a restructuring plan with its banks and Walt Disney on its FFr21bn ($3.5bn) of debt. The company lost FFr5.3bn in 1992-93.

"If the restructuring is carried out, these measures ought to improve the financial situation of the group," Mr Bourguignon says. "But even so, the group should find itself in a deficit situation for the first and second halves of fiscal year 1994."

Mr Bourguignon says in his report that the "deeply unbalanced financial structure of Euro Disney has become intolerable to the point of endangering the existence of the enterprise."

The future of the park depends almost entirely on the negotiations with the 63 banks and Walt Disney, which owns 49 per cent of Euro Disney, he says.

Henkel hit by rationalisation

By David Waller

The costs of implementing rationalisation measures helped depress Henkel's pre-tax profits by 7 per cent to DM375m ($218m) last year, the German chemicals, cosmetics and cleaning products group said.

The rationalisation stood to benefit the group this year, however. It was likely that the group would develop in a positive way this year despite difficult economic conditions in many important markets, Henkel said.

Stripping out the costs associated with the reduction of employee numbers from 42,244 to 40,480 last year, operating profits rose in 1994, the group said, without giving details.

Turnover for the group dropped by 2 per cent to DM13.9bn but Henkel explained that without the impact of currency fluctuations – which led to a 3 per cent drop in sales – turnover would have risen.

Turnover in Germany dropped by 3 per cent to DM4.16bn while sales generated abroad dropped by 1.7 per cent to DM8.95bn. This was mainly due to a sharp fall in turnover in continental Europe. Outside Europe, sales increased 13 per cent.

The group's two biggest businesses are chemicals and cleaning products, which account for 27.4 and 31.3 per cent of group sales respectively.

Henkel said it was pleased with a 4 per cent increase in sales in this market segment, reflecting recovery in the US. There was a 4 per cent fall in cleaning products sales, chiefly due to currency fluctuations.

Samsung suffers 23% profit decline

By John Burton in Seoul

Samsung Corporation, South Korea's largest trading company, and the biggest subsidiary within the Samsung group, has reported that net earnings for 1993 dropped by 22.9 per cent to Won12.2bn ($14.9m). Sales rose by 10.5 per cent to Won13,300bn.

Samsung Heavy Industries suffered a 23 per cent fall in net profits to Won73bn due to price competition in the domestic construction equipment sector. Sales remained flat at Won1,610bn.

A 33 per cent drop in sales of industrial machinery offset a 31 per cent rise in revenues for its shipbuilding operations, the nation's third largest.

Samsung Aerospace recorded a 18 per cent increase in net earnings to Won5.2bn as sales surged by 40 per cent to Won630.9bn.

Turnover rose in all the aerospace offshoot's divisions, including a 36 per cent jump at the defence division to Won184bn and a 42 per cent rise in the optics division to Won177bn, supported by strong camera sales.

Samsung Electro-Mechanics, Korea's largest electronic components manufacturer, achieved a 10 per cent increase in net profits to Won8.1bn. Sales rose by 21 per cent to Won731.6bn due to strong demand from electronics companies.

South African papers split

By Raymond Snoddy

South Africa's two leading newspaper groups, Argus Newspapers and Times Media, are to separate their interlocking publishing interests.

Under the R61m ($13.5m) deal, Argus Newspapers is to acquire Times Media's minority holdings in Argus's Cape Town, Durban and Pretoria Newspapers. Joint printing and distribution arrangements will be retained.

The agreement follows last month's announcement that Argus Newspapers is going to be listed.

The Markets

THIS WEEK

Global Investor / **Martin Dickson in New York**

A nasty splash of Whitewater

The curious American political melodrama known as Whitewater has started to produce a whitish knuckle or two in the US capital markets.

Nervousness over the implications of the affair for the Clinton presidency could be a significant feature of the markets this week, together with the central issue worrying Wall Street, which is the statistics for US inflation due out tomorrow – the producer price index – and on Wednesday – the consumer price index.

The Whitewater mess – it is not yet, and may never be worth dignifying with the word scandal, despite all the baying for blood on Capitol Hill – has been building for months, but it was only late last week that it began to impinge significantly on the consciousness of Wall Street.

The market's initially relaxed attitude was understandable.

The controversy revolves around some arcane investments, made more than a decade ago, by Mr Clinton and his wife Hillary, in the Whitewater Development Company, an Arkansas real estate venture, and that company's ties to a failed Arkansas savings and loans business, Madison Guaranty.

When a group of investigative journalists initially started asking whether the Clintons had benefited improperly from this web of relationships, the question seemed of largely historic interest, and not one that impinged too closely on the credibility of the Clinton administration.

However the issue has been so badly handled by the White House that the Attorney General has had to appoint an independent special prosecutor to investigate and over the past two weeks the focus of attention has switched from the propriety of investments made long ago to whether the White House has tried to "cover up" the affair. This in turn has allowed Republicans to draw a parallel with the Watergate "cover up" which toppled President Nixon.

On the present evidence, it is preposterous to suggest that a similar fate could befall Mr Clinton. But several events last week brought home to the markets the extent to which Whitewater is consuming the President's time and possibly eating into his political popularity, even though most Americans seem to regard the affair as an incomprehensible storm in a Washington teacup.

In quick succession last week the markets saw Whitewater claim a White House staff member, Mr Bernard Nussbaum, who resigned over his contacts with federal investigators; saw Mr Clinton besieged at news conferences with questions about the matter and watched White House aides appear for the first time before a federal grand jury looking into the matter.

The cumulative effect was to create an impression of a White House under siege and a climate where wild market rumours could flourish. And they did last Thursday, when an unsubstantiated report in an obscure Washington newsletter raised questions about last summer's suicide of Mr Vincent Foster, a White House aide and Arkansan friend of the Clintons. The bond market plunged, and equities and the dollar dipped.

Weak dollar

The market hates political uncertainty and is growing concerned lest Whitewater should weaken Mr Clinton, at least temporarily. Traders ask whether he might then be tempted to take populist measures to restore his popularity, such as tough trade sanctions against Japan or spending programmes which might push up inflation.

Political uncertainty also weakens the dollar, and that inflates the cost of imported goods. At the same time, a lame duck president would be unable to take tough foreign policy action on some of the world's trouble spots.

That, together with political violence in South Africa, helps explain a sharp rise last Thursday in the price of gold, a traditional safe harbour against political turmoil.

However, last week's market reaction to Whitewater says more about Wall Street's extreme jitteriness, which is the result of the Federal Reserve's tightening of monetary policy last month, than it does about the political risks of Whitewater to equity and bond values.

At present the risks still seem very small, though there is no real way of knowing what dirt the investigative hounds may throw up. Still, the climate is such that all sorts of rumours can be set running over the next few months, allowing market speculators to make some quick killings. Past investigations by special prosecutors have always been accompanied by a constant drip of leaks and this one seems unlikely to be different.

Unless Whitewater turns into a genuine scandal, the biggest effect of the affair could be to weaken the political clout of the unelected Mrs Clinton, who is overseeing that central piece of the White House legislative agenda, its heath care reform package.

Even before Whitewater, Congress had been expected to approve a far less ambitious reform package than Mrs Clinton was seeking and this prospect has been greatly reinforced by the events of the past two weeks.

That may be good for stocks in the health care sector, which have been hammered by expectations of government price restrictions. In the short run, a restricted health package might also give a little fillip to economic expansion, ameliorating companies' fears that hiring workers would burden them with a big rise in healthcare costs.

Inflation

Politics apart, Wall Street's central focus this week will be on the US inflation figures for February, which are expected to show producer prices rising at a rate of about 0.3 per cent, up from 0.2 per cent in January, and consumer prices up by a similar amount, compared to no change in January.

Figures like this are hardly a sign of rampant inflation but the market is currently so bearish that it tends to discount almost all good news and pounce with relish on figures that are worse than expected. So getting through this run of statistics without a further bond market dip may not be easy.

The futures market is already suggesting the yield on the benchmark 30-year issue may top 7 per cent before the bear run is over, and as Mr John Lipsky of Salomon Brothers points out: "The structure of forward rates now anticipates much higher short rates and significant yield curve flattening."

This stems in large measure from market expectations that the Federal Reserve is likely to tighten monetary policy again in the next few weeks, possibly on March 22, when its policy-making Open Market Committee next meets.

The sharp and unexpected drop in global bond markets which accompanied February's tightening may make the Fed cautious about further tightening until the market calms down, yet it is unlikely to do so while the world waits for the Fed to move.

The bull case

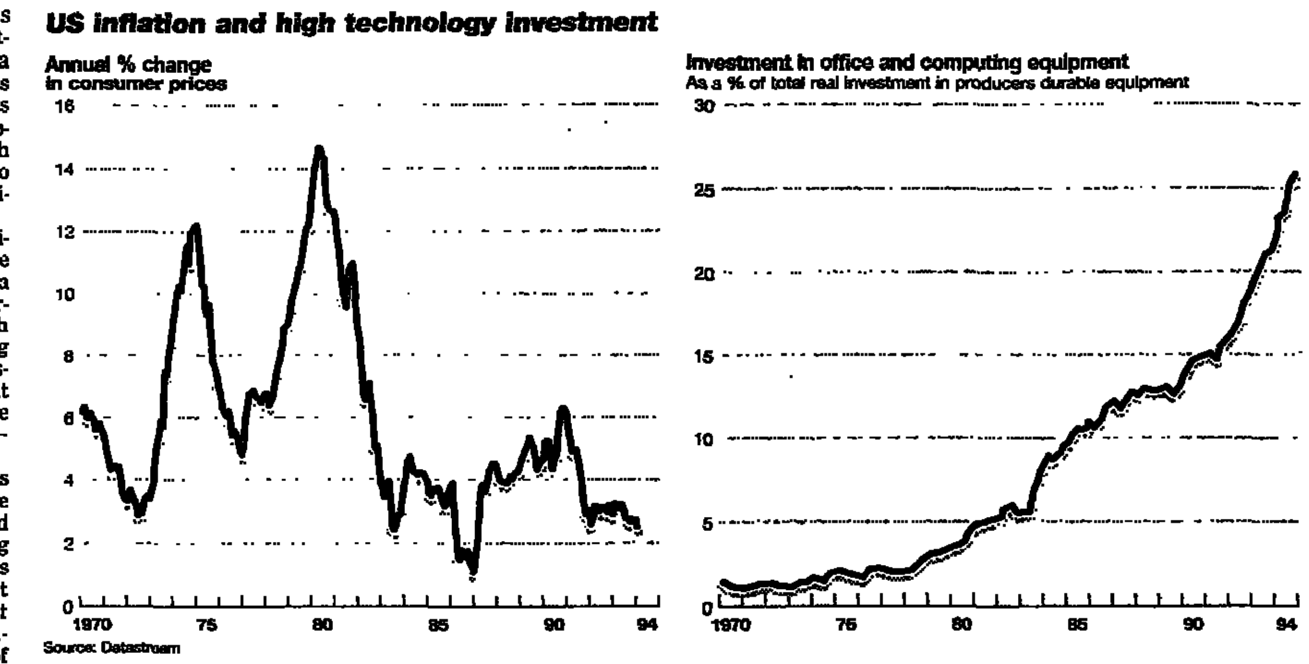
US economists are deeply divided over the need for the Fed's February tightening, its first in five years. Most argue that it was a timely, even overdue, response to the threat of inflation, which was already evident in the sharply rising price of financial assets. Yet some argue that Mr Alan Greenspan, the Fed chairman, is fighting an inflationary demon which does not exist.

One of the most bullish of this school is Mr Edward Yardeni, chief economist at CJ Lawrence, the brokers, who reckons that US inflation will run at only 2 per cent this year – the consensus is about 3 per cent. His central argument is that this is not a typical recovery because of new, powerfully disinflationary factors around the globe.

For one thing, the end of the Cold War has opened up huge pools of cheap labour in the Eastern bloc, putting downward pressure on Western wage rates. For another, the US is in the early stages of an information technology revolution, demonstrated by a huge jump recently in its spending on high-tech capital equipment. This should feed through into a big increase in productivity, again ameliorating inflationary tendencies.

Mr Yardeni reckons that the Fed Funds rate will end 1994 where it is now, at 3¼, and that the yield on long bonds could fall to the 5 per cent range in 1995, with the Dow Jones Industrial Average hitting 5000. Hence his current slogan: "5/5 in 95."

It is certainly not a mainstream view, but at the least it is a useful reminder, amid the gloom of the current market correction, that the economic outlook in the US remains bright, that the bull market in stocks may have some way yet to run, and that next year could see Europe emerging from recession.

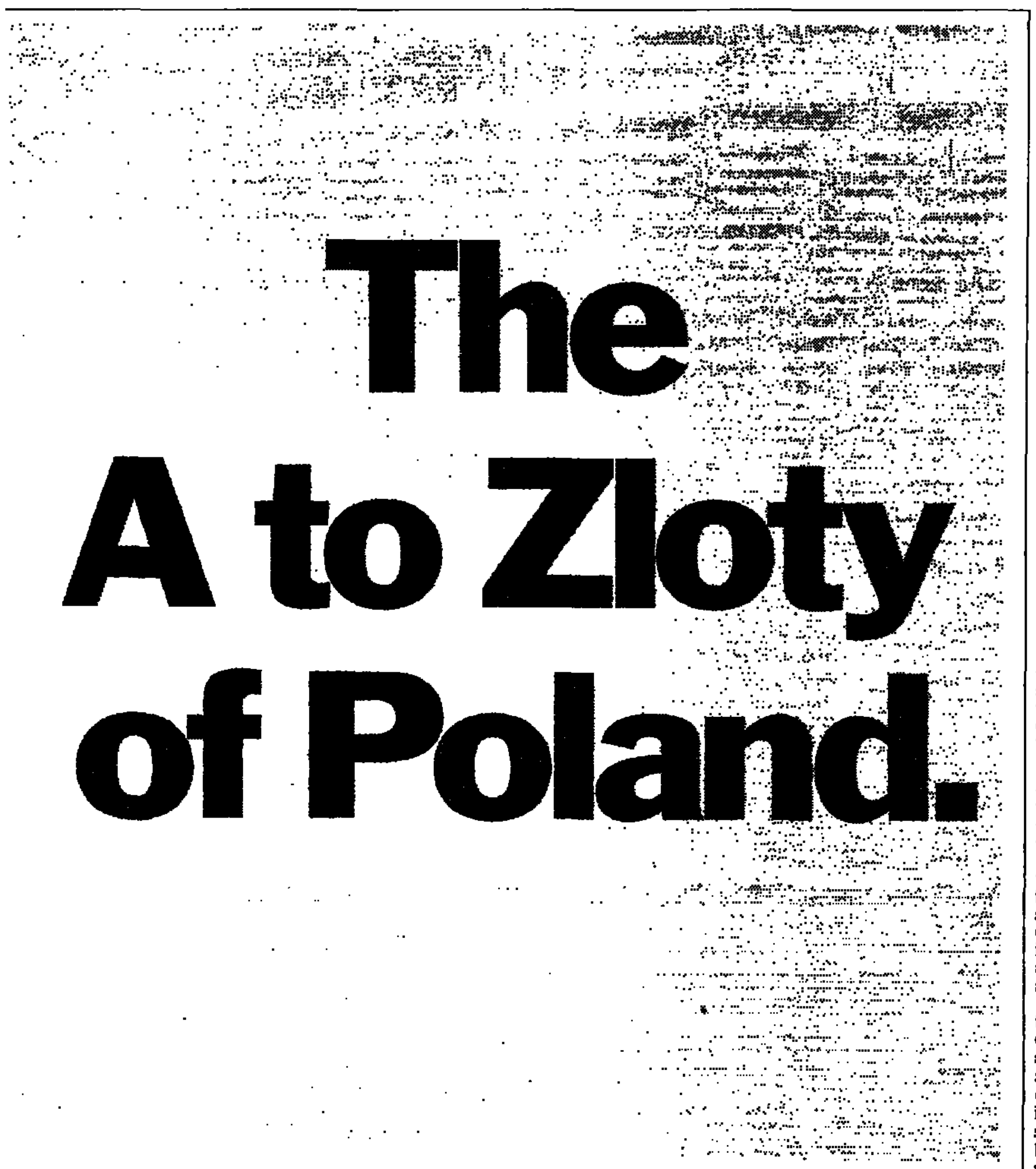


US inflation and high technology investment

Price change in local currency to 11/3/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.04	0.12	0.12	0.15	0.10
Month	0.28	0.19	0.51	0.54	0.70	0.43
Year	3.50	3.03	6.75	8.75	10.75	5.56
Bonds 3-5 year						
Week	-0.35	0.45	0.12	0.48	0.58	0.22
Month	-1.41	-1.31	-1.02	-1.07	-1.89	-1.06
Year	3.34	4.89	6.94	11.00	20.43	7.78
Bonds 7-10 year						
Week	-0.69	-0.04	0.50	0.56	0.37	0.70
Month	-2.95	-2.63	-2.25	-2.15	-4.67	-2.66
Year	2.95	4.39	6.58	13.02	29.65	10.22
Equities						
Week	0.35	-0.24	1.59	-0.50	2.78	-2.43
Month	-0.74	0.26	-2.53	-6.54	-1.21	-7.61
Year	2.40	20.12	19.22	14.31	30.84	10.42

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.



Economic Eye / **Martin Wolf**

Global implications of the 'New Liberalisation'

In the course of the Uruguay Round of multilateral trade negotiations, set to be completed next month in Marrakesh, more than 60 developing and former communist economies notified the secretariat of the General Agreement on Tariffs and Trade of unilateral trade liberalisation. This represented a policy revolution, historically unrivalled in terms of the number of countries and human beings affected.

An important question is whether this shift in policy direction will prove temporary. An important book*, published last year, suggests a subtle reason why it will not. It does so in calling attention to what the authors call a "new liberalisation", in which "deterioration of the current account led to a package of crisis policies that included trade liberalisation".

There is a general awareness in developing countries of the benefits of the market and, more specifically, of liberal trade and greater exports. But policy-makers have also come to accept what industrial countries realised a decade or two ago, namely, that restrictions on imports are not just an inappropriate response to balance of payments crises, but actually a damaging one.

A country's ability to do well in the long run depends partly on how well it navigates past short run obstacles. The 1970s and 1980s threw down a series of such obstacles: a synchronised global boom, two oil price shocks, the explosion of bank lending in the 1970s, the US monetary and fiscal shocks under Paul Volcker and Ronald Reagan, the debt crisis of 1982 and then the oil price collapse of 1986.

Wanting to learn how developing countries had coped with this turbulence, the World Bank commissioned a study of 18 developing countries. This book summarises the results.

The lessons drawn by the authors seem solid common sense, perhaps the most important being that it is not external shocks, but domestic responses that determine success or failure.

The authors note that there are profligate dictatorships and prudent democracies; that the convictions of those who determine policy are decisive, but that experience can change beliefs, even in Argentina; that macroeconomic stability is good for long-run growth; that sudden increases in investment are likely to prove wasteful; that it is foolish to assume loans will be refinanced; that beneficial windfalls cannot be expected to last; that policies and economies must be kept flexible; that rapid export growth is essential, as is fiscal control; and that foreign aid can be helpful in a crisis.

They also conclude that high inflation is lethal, in itself and because of the costs of lowering it, while moderate inflation is not obviously damaging; that inflation is ultimately home grown; and that liberalising imports, while using the exchange rate as an "anchor" for inflationary expectations, is very risky.

This last point relates directly to the new liberalisation. Historically, note the authors, the standard response to a balance of payments crisis was increased restriction of imports. But because a restraint on imports is also a restraint on exports, those restrictions would not reduce external deficits, except in the short term.

Instead, current account deficits would tend to re-emerge, but at a lower level of trade. The resulting vicious circle of import compression would, when crisis struck, lead to what the authors call "import starvation".

Article XII of the Gatt allowed industrial countries to use quantitative import restrictions for balance of payments purpose. Over time, however, they realised that what was needed, instead, was macroeconomic adjustment. Article XVIII gave developing countries a comparable authorisation, but many of them continued to use it to justify import controls decade after decade.

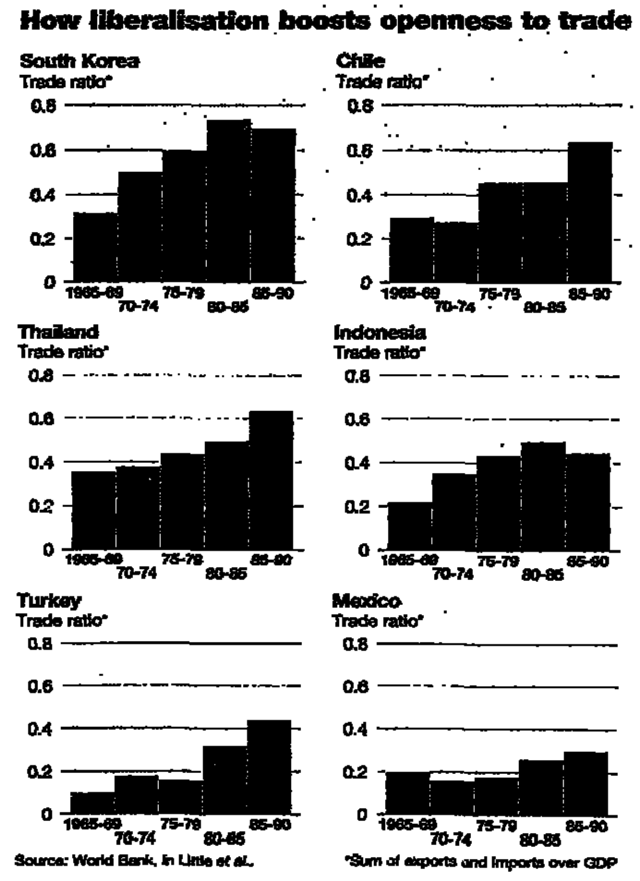
The new liberalisation indicated developing country acceptance of the modern theory of balance of payments adjustment: that trade policy should be assigned to long run economic efficiency, while balance of payments management depends on fiscal and monetary adjustment, combined with exchange rate flexibility. With this realisation, an important obstacle to sustaining trade liberalisation disappears.

The charts show what has happened to the trade of those developing countries that dared to undertake liberalisation during the past 30 years: Korea from the mid-1960s, Chile from the mid-1970s, Turkey from 1980, Indonesia in the mid-1960s and again in the 1980s and Mexico and Thailand in the 1980s. In all these cases, ratios of trade to output rose.

In the 1950s and 1960s trade grew faster than output for most industrial countries. Thereafter, the impulse to growing openness lost momentum, partly because liberalisation was far advanced already. Now it is the turn of developing countries. In 1976, Korea's imports were 7 per cent of those of the US; in 1991, they were 16 per cent, while it had also become the world's 12th largest import market. But Korea has been only a forerunner of far bigger players, such as China and India.

The new liberalisation suggests that the developing countries are now on the same intellectual footing as the industrial countries, so far as balance of payments adjustment is concerned. But many of their policy-makers tend also to have a better appreciation of the efficiency benefits of trade liberalisation. This means that their vast potential for further trade expansion will probably become reality, with even balance of payments crises failing to stop them.

How liberalisation boosts openness to trade



Source: World Bank, in Little et al.
*Sum of exports and imports over GDP

IMD Little, Richard N Cooper, W Max Corden and Sarath Rajapatirana, Boom Crisis and Adjustment: the Macroeconomic Experience of Developing Countries (New York: Oxford University Press, for the World Bank, 1993).

The graphic which accompanied the Economic Eye column last week was attributed to the wrong source. It should have been attributed to Mr Erik Jones, CEPS, Brussels.

The Emerging Investor / Louise Lucas

Hong Kong's blueprint for reform

The Hong Kong stock exchange is growing up. Last year it doubled its market capitalisation; oiled the wheels of trading with the introduction of automated order matching and execution and a central clearing system; and brought six mainland state-owned enterprises to market.

It has faced criticism too: the listing process is clearly less than healthy, with many issues being heavily oversubscribed, and regulators have been accused of over-zealousness when it comes to vetting both these and disclosure statements. The listing of the Chinese companies did not pass without mutterings, mainly over the way in which they were brought to market.

Now, however, the stock exchange wants to go further, strengthening its role as the financial centre of one of the most exciting regions of the world by embracing standards and philosophies used on Wall Street.

If market practitioners accept the ambitious proposals laid out in the consultative paper distributed last week, China will inherit a world class exchange which has won the full confidence of investors, big and small, across the globe.

What Mr Paul Chow, chief executive of the exchange, wants to create is a market which is both efficient and competitive in the international arena. He wants to focus on China, making Hong Kong its international capital market, but his plan includes local listings of multinationals and, possibly, the creation of Hong Kong Global Depositary Receipts.

To this end, his blueprint for reform – which is up for discussion over the next five weeks – provides for a greater onus on issuers, directors and substantial shareholders and their advisers, based on higher disclosure and backed by sanctions for abusers; the extension of automation to member offices and perhaps overseas; and a fully fledged derivatives and debt market.

Prefacing its options, the paper notes: "In view of the increasingly competitive international environment in which it operates, the Exchange believes that when considering development issues it must place the emphasis on an 'international' solution. US market practice, or the practice of other developed markets, may provide such international standard."

But while investors broadly endorse the goal, there is more scepticism over the means recommended. Two key issues split market users, and inform the direction they wish to see the exchange take: the maturity of the market and its ability to take on board a radical switch towards greater self-regulation; and, at issue in any discussion, self interest.

Many merchant bankers and fund managers welcome the proposed switch in listing philosophy from the existing common law based regulatory system towards the self-vetting US model, which does away with stock exchange vetting on new issues and disclosures and so speeds the process.

But there is also a sizeable contingent which feels that Hong Kong is not ready for such a step: its emerging market status can be interpreted in this way and foreign investors, in particular, may feel uncomfortable with a regime more akin to self regulation.

Mr Richard Witts, managing director of United Mok Ying Kie, a local brokerage and a member of the stock exchange council, says that the move relies on quality advisers. "The question is whether we have sufficiently good advisers. Can our advisers be trusted?"

Mr Witts's argument is not directed solely at market practitioners in the colony: the model has proved far from flawless in the US itself, where a spate of scandals has plagued regulators.

Creating an environment where scandals are more likely to breed – which is the primary concern when wiping out the role of the regulators as final arbiters of listing applications – is far more likely to deter institutional investors rather than entice them in, he says.

The recommendation to abolish minimum commissions, now standing at 0.25 per cent, will not pass without a battle, either. Fund management operations and securities houses often sit together in the same group.

Some say that the commission issue is a bargaining counter in the dispute over stamp duties: lowering the one could pave the way for a reduction in the other. The exchange has already opened discussions with the government with a view to reducing, and ultimately scrapping the stamp duty levy, which stands at 0.15 per cent on buyer and seller. It argues that the international trend is to eliminate such taxes.

Leading the attack on the abolition of minimum commission, Mr Robert Thomas, managing director of Jardine Fleming Investment Management says: "It is very detrimental to Hong Kong to abolish minimum commission because I think the minute you do that you encourage the market maker role to come in, which affects the whole broker/client relationship.

"It encourages deals to be done off market, and to my mind the most efficient market is if all deals go through one point."

The less contentious recommendations put forward in the consultative paper would serve to underline Hong Kong's role as a window on the biggest emerging market of all – China – and to draw increasing volumes of foreign money into the mainland, while developing a strong capital-raising base in the colony.

A key plank to this vision is one of the more nuts-and-bolts proposals: extended automation and increased trading hours. Although Hong Kong is the biggest market in Asia outside Japan, last year it was only fourth in terms of trading volume.

With an efficient central clearing system in place, longer trading hours are now perfectly feasible. They are seen as long overdue. Open for just three-and-a-half hours a day, Hong Kong seriously lags behind the rest of the region.

They would also be a means of winning back some of the business lost to London. Recently, the London share in the turnover of Hong Kong stocks quoted or listed there has been about 15 per cent.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	Week on week change %
Light Servicos de Electrcade	Brazil	0.3483	0.0680	24.27
Electrobras (pfd)	Brazil	0.2800	0.0484	20.90
Branco Bradesco (pfd)	Brazil	0.0178	0.0026	16.89
Compenhia Suzano (pfd)	Brazil	4.0978	0.5572	15.74
Koc Yatrim	Turkey	2.0418	0.2746	15.54
Usiminas (pfd)	Brazil	0.0011	0.0002	15.04
Petrobras (pfd)	Brazil	0.1892	0.0232	13.99
CSN	Brazil	0.0350	0.0043	13.96
Bagley	Argentina	3.9804	0.4797	13.70
Sadia Concordia Industria (pfd)	Brazil	0.0105	0.0012	13.33

Source: Baring Securities

News round-up

■ Kuala Lumpur

Malaysia's year-old Securities Commission is considering more rules to stamp out insider trading and stock market manipulation, Munir Majid, the chairman has announced.

Malaysia's Registry of Companies said two "middle level" company officials were being investigated for insider trading and six had been put on a "scrutiny list".

■ Beijing

The number of shareholding companies in China last year rose by 9,440, to 13,000 with total capitalisation of Yn208.63bn. Listed companies numbered 122, with 215 stocks traded on the Shanghai and Shenzhen exchanges. Many state-owned activities have been reorganised into shareholding companies in what could be a first step to a formal listing.

■ Mexico

Foreign investment in Mexican stocks trading locally and abroad fell by 8 per cent in February from January levels, and total foreign investment in Mexican stocks at the end of February was $56.2bn, the stock exchange reported.

■ Brazil

Details of of the privatisation of Brazil's electricity industry should be ready by the middle of 1994, according to Mr Jose Luiz Alqueres, president of state electricity holding, Eletrobras. The industry, which has a book value of $45bn, has been restructured along market-oriented lines and long-standing debts owed by Eletrobras subsidiaries to the holding company and the government have been resolved, he said.

■ Manila

The stock exchange has adopted a set of trading rules, most of which are currently being observed by the Manila and Makati bourses, for the planned unified exchange. The rules include an automatic freeze on a price of an issue if it moves up 50 per cent or falls by 40 per cent on a particular day from its previous close.

The Philippine National Oil Company is to offer 1bn shares of Petron, its most profitable subsidiary, in May, priced at between 6 pesos and 16 pesos. A third of the shares will be targeted at foreign investors.

■ India

Prices of Indian shares listed abroad have fallen sharply in the past week and the downturn is likely to delay several Euroissues in the pipeline, brokers have warned.

However, analysts in London and Bombay said the fall in overseas-listed shares had not dimmed foreign interest and a $1bn telecom issue, India's largest, would still go ahead.

■ Warsaw

A Polish parliamentary commission is to ask the State Protection Office and the National Auditing Office to investigate possible wrongdoing during the privatisation of Bank Slaski. The commission wants to know if the bank manipulated profits in first half of 1993 to cut the issue price.

■ Taipei

Taiwan's state-run Farmers Bank of China plans a rights issue of 250m shares and will list on the stock market in July as part of the government's privatisation programme.

The rights issue will expand the bank's paid-in capital to T$7.5bn from T$5.0bn, reducing the government's stake to 61.5 per cent.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

Baring Securities emerging markets indices

Index	11/3/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (248)	164.24	0.89	0.54	-18.47	-10.11	-4.17	-2.48
Latin America							
Argentina (19)	113.24	-0.84	-0.74	-20.43	-15.29	-2.14	-1.86
Brazil (20)	195.10	20.98	12.05	-15.82	-7.50	55.45	39.71
Chile (12)	172.07	5.67	3.41	-5.48	-3.09	24.53	16.63
Mexico (24)	149.57	-6.01	-3.86	-27.10	-15.34	-11.70	-7.26
Latin America (75)	159.36	2.78	1.78	-21.44	-11.86	10.12	6.78
Europe							
Greece (14)	100.04	1.94	1.98	5.06	-5.23	16.94	20.39
Portugal (14)	130.10	5.74	4.62	2.86	2.24	17.97	16.03
Turkey (22)	90.20	-2.20	-2.38	-8.17	-8.30	-71.51	-44.22
Europe (50)	111.28	2.80	2.58	1.44	1.31	-0.95	-0.85
Asia							
Indonesia (17)	158.34	0.09	0.05	-18.40	-10.41	-12.70	-7.43
Korea (23)	123.28	-0.94	-0.75	-0.97	-0.78	13.58	12.38
Malaysia (22)	207.65	-0.23	-0.11	-10.69	-4.90	-45.40	-17.94
Philippines (11)	252.05	-4.86	-1.89	-46.08	-15.46	-70.42	-21.84
Thailand (21)	206.15	-8.23	-3.84	-25.09	-10.85	-57.40	-21.78
Taiwan (29)	135.36	-7.70	-5.38	-28.21	-17.25	-18.35	-11.94
Asia (123)	188.10	-3.42	-1.79	-18.08	-8.77	-33.31	-15.05

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS Philip Gawith

Markets seek clarity on interest rates

A critical week lies ahead for foreign exchanges with the release of inflation data in the US and UK, and a Bundesbank council meeting, likely to point the way to future interest rate developments on both sides of the Atlantic.

The focus of attention will be the mid-week publication of February producer and consumer prices in the US. These data will set the scene for the meeting of the (policy making) Federal Open Market Committee on the March 22.

Financial markets have had the jitters about US inflation ever since the Fed lifted interest rates by 25 basis points last month. But some analysts argue that the central bank will tighten less aggressively than the market believes.

The US currency remains vulnerable to fall-out from the Whitewater political scandal, but attention this week should focus on the economy.

The dollar is likely be stronger against the yen following the weekend settlement of a long-running cellular phone dispute between the US and Japan. The deal improves and accelerates the US company Motorola's access to the Japanese market.

It is a clear victory for the strong-arm tactics of the US, and should help the two countries resolve their broader trade dispute. Recent history suggests that progress in these talks favours the dollar.

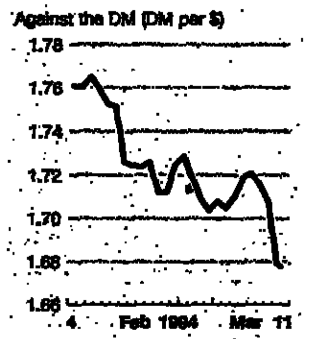
In Europe the market will be watching to see whether the Bundesbank uses Germany's improving inflation outlook to quicken the pace of interest rate cuts. The central bank's council meets on Thursday.

Foreign exchanges will also be watching yesterday's election for the Lower Saxony state parliament, the first in a series of 19 regional and national polls in Germany between now and October. A strong protest vote against the political establishment could weaken the D-Mark.

In the UK, the release of producer inflation data, retail sales and unemployment figures will set the tone for interest rates. There is no consensus about the direction of the next move in rates, and there are indications that the market may take its lead from the US rather than Europe.

Dollar

Against the DM (DM per $)



Source: FT Graphite

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday March 11, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2722.00	1811.85	1079.73	1723.33
Albania	(Lek)	164.758	109.656	65.3542	104.31
Algeria	(Dinar)	35.7826	23.8150	14.1936	22.6549
Andorra	(Fr Fr)	8.5774	5.7087	3.4023	5.4304
	(Sp Peseta)	207.345	138	82.2471	131.273
Angola	(New Kwanza)	18621.47	12393.7	7386.54	11789.5
Antigua	(E Carr $)	4.0441	2.6915	1.6041	2.5603
Argentina	(Peso)	1.5023	0.9998	0.5959	0.9511
Aruba	(Florin)	2.6911	1.7844	1.0635	1.6974
Australia	(Aus $)	2.1143	1.4071	0.8386	1.3385
Austria	(Schilling)	17.6695	11.76	7.0806	11.2057
Azores	(Port Escudo)	260.308	173.25	103.256	164.804
Bahamas	(Bahama $)	1.5725	1.0465	0.6237	0.9955
Bahrain	(Dinar)	0.5665	0.377	0.2247	0.3586
Balearic Is	(Sp Peseta)	207.345	138	82.2471	131.273
Bangladesh	(Taka)	59.0463	39.3	23.4225	37.3841
Barbados	(Barb $)	3.0125	2.0049	1.1949	1.9072
Belgium	(Belg Fr)	52.0166	34.62	20.6333	32.9323
Belize	(B $)	2.9956	1.9937	1.1882	1.8965
Benin	(CFA Fr)	857.74	570.875	340.238	543.045
Bermuda	(Bermudian $)	1.5025	1	0.5959	0.9512
Bhutan	(Ngultrum)	47.1335	31.37	18.6963	29.8407
Bolivia	(Boliviano)	6.8364	4.55	2.7117	4.3282
Botswana	(Pula)	3.8655	2.5727	1.5333	2.4472
Brazil	(Cruzeiro Real)	1099.97	732.093	436.323	696.404
Brunei	(Brunei $)	2.3800	1.584	0.944	1.5068
Bulgaria	(Lev)	39.65	26.3893	15.7278	25.1026
Burkina Faso	(CFA Fr)	857.74	570.875	340.238	543.045
Burma	(Kyat)	9.4775	6.3078	3.7594	6.0003
Burundi	(Burundi Fr)	390.65	260	154.958	247.325
Cambodia	(Riel)	5242.30	3489.05	2079.45	3318.96
Cameroon	(CFA Fr)	857.74	570.875	340.238	543.045
Canada	(Canadian $)	2.0446	1.3609	0.8111	1.2945
Canary Is	(Sp Peseta)	207.345	138	82.2471	131.273
Cp. Verde	(CV Escudo)	111.1366	73.9679	44.0844	70.362
Cayman Is	(CI $)	1.2282	0.8174	0.4871	0.7775
Cent.Afr. Rep	(CFA Fr)	857.74	570.875	340.238	543.045
Chad	(CFA Fr)	857.74	570.875	340.238	543.045
Chile	(Chilean Peso)	649.4557	432.25	257.619	411.178
China	(Yuan)	13.0775	8.7038	5.1874	8.2795
Colombia	(Col Peso)	1229.74	818.463	487.796	778.563
CIS ♦	(Rouble)	0.8717o	0.5801	0.3457	0.5518
		2689.50m	1709.48	1018.84	1628.15
Comoros	(CFA Fr)	857.74	570.875	340.238	543.045
Congo (Brazz)	(CFA Fr)	857.74	570.875	340.238	543.045
Costa Rica	(Colon)	229.6127	152.82	91.08	145.37
Côte d'Ivoire	(CFA Fr)	857.74	570.875	340.238	543.045
Croatia	(Dinar)	9227.58	6141.49	3660.29	5842.1
Cuba	(Cuban Peso)	1.1344	0.755	0.4499	0.7182
Cyprus	(Cyprus £)	0.7719	0.5137	0.3061	0.4886
Czech Rep.	(Koruna)	44.489	29.6099	17.6473	28.1665
Denmark	(Danish Krone)	9.8460	6.553	3.9055	6.2336
Djibouti Rep	(Djib Fr)	262.50	174.709	104.125	166.192
Dominica	(E Carib $)	4.0441	2.6915	1.6041	2.5603
Dominican Rep	(D Peso)	19.3218	12.8596	7.6642	12.2327
Ecuador	(Sucre)	2938.69o	1953.87	1164.49	1858.62
		3051.02a	2030.63	1210.24	1931.64
Egypt	(Egyptian £)	5.0419	3.3556	1.9999	3.192
El Salvador	(Colon)	13.1056	8.7226	5.1986	8.2974
Equat'l Guinea	(CFA Fr)	857.74	570.875	340.238	543.045
Estonia	(Kroon)	20.2224	13.4591	8.0215	12.803
Ethiopia	(Ethiopian Birr)	7.3842	4.9146	2.929	4.675
Falkland Is	(Falk £)	1.00	0.6655	0.3966	0.6331
Faroe Is	(Danish Kroner)	9.8460	6.553	3.9055	6.2336
Fiji Is	(Fiji $)	2.2363	1.4887	0.8878	1.417
Finland	(Markka)	8.2271	5.4756	3.2634	5.2086
France	(Fr)	8.5774	5.7087	3.4023	5.4304
Fr. Cty/Africa	(CFA Fr)	857.74	570.875	340.238	543.045
Fr. Guiana	(Local Fr)	8.5774	5.7087	3.4023	5.4304
Fr. Pacific Is	(CFP Fr)	152.60	101.496	60.4918	96.5495
Gabon	(CFA Fr)	857.74	570.875	340.238	543.045
Gambia	(Dalasi)	12.4317	8.274	4.9312	7.8708
Germany	(D-Mark)	2.5210	1.6778	1	1.596
Ghana	(Cedi)	1355.51	902.17	537.687	858.169
Gibraltar	(Gib £)	1.00	0.6655	0.3966	0.6331
Greece	(Drachma)	367.136	244.35	145.631	232.436
Greenland	(Danish Krone)	9.8460	6.553	3.9055	6.2336
Grenada	(E Carr $)	4.0441	2.6915	1.6041	2.5603
Guadeloupe	(Local Fr)	8.5774	5.7087	3.4023	5.4304
Guam	(US $)	1.5725	1.0465	0.6237	0.9955
Guatemala	(Quetzal)	8.7368	5.8141	3.4652	5.5307
Guinea	(Fr)	1462.66	973.637	580.282	926.173
Guinea-Bissau	(Peso)	7489.00	4984.38	2970.65	4741.37
Guyana	(Guyanese $)	191.7164	127.6	76.0486	121.379
Haiti	(Gourde)	17.9736	11.9624	7.1295	11.3792
Honduras	(Lempira)	11.3094	7.5269	4.4856	7.1594
Hong Kong	(HK $)	11.6076	7.7255	4.6043	7.3489
Hungary	(Forint)	155.19	103.288	61.5599	98.2526
Iceland	(Icelandic Krona)	107.84	71.7737	42.7766	68.2747
India	(Indian Rupee)	47.1335	31.37	18.6963	29.8407
Indonesia	(Rupiah)	3231.01	2150.42	1281.64	2045.59
Iran	(Rial)	2627.60	1748.95	1042.36	1663.69
Iraq	(Iraqi Dinar)	0.4680	0.3114	0.1856	0.2962
Irish Rep	(Punt)	1.0408	0.6927	0.4128	0.6589
Israel	(Shekel)	4.4655	2.972	1.7713	2.8271
Italy	(Lira)	2497.98	1662.55	990.869	1581.5
Jamaica	(Jamaican $)	49.8019	33.145	19.7548	31.5301
Japan	(Yen)	157.96	105.125	62.6537	100
Jordan	(Jordanian Dinar)	1.0518	0.7	0.4172	0.6659
Kenya	(Kenya Shilling)	99.49	66.2163	39.4644	62.9882
Kiribati	(Australian $)	2.1143	1.4071	0.8386	1.3385
Korea North	(Won)	3.2208	2.1432	1.2773	2.0388
Korea South	(Won)	1211.09	806.05	480.401	766.755
Kuwait	(Kuwaiti Dinar)	0.4473	0.2977	0.1774	0.2831
Laos	(New Kip)	1078.42	717.75	427.775	682.76
Latvia	(Lats)	0.8541	0.5684	0.3387	0.5407
Lebanon	(Lebanese £)	2550.49	1697.5	1011.7	1614.75
Lesotho	(Maluti)	5.1551	3.431	2.0448	3.2637
Liberia	(Liberian $)	1.5025	1	0.5959	0.9512
Libya	(Libyan Dinar)	0.4793	0.319	0.1901	0.3034
Liechtenstein	(Swiss Fr)	2.1291	1.417	0.8445	1.3479
Lithuania	(Litas)	5.8414	3.8877	2.317	3.6982
Luxembourg	(Lux Fr)	52.0166	34.62	20.6333	32.9323
Macao	(Pataca)	11.9539	7.956	4.7417	7.5681
Madagascar	(MG Fr)	2632.71	1895.33	1123.65	1793.42
Madeira	(Port Escudo)	260.308	173.25	103.256	164.804
Malawi	(Kwacha)	10.1313	6.7428	4.0187	6.4142
Malaysia	(Ringgit)	4.0883	2.7209	1.6216	2.5883
Maldive Is	(Rufiya)	16.6331	11.0702	6.5978	10.5306
Mali Rep	(CFA Fr)	857.74	570.875	340.238	543.045
Malta	(Maltese Lira)	0.5886	0.3917	0.2334	0.3726
Martinique	(Local Fr)	8.5774	5.7087	3.4023	5.4304
Mauritania	(Ouguiya)	185.9519	123.762	73.7611	117.728
Mauritius	(Maur Rupee)	27.6494	18.4022	10.9676	17.5051
Mexico	(Mexican Peso)	4.9508	3.295	1.9638	3.1344
Miquelon	(Local Fr)	8.5774	5.7087	3.4023	5.4304
Monaco	(French Fr)	8.5774	5.7087	3.4023	5.4304
Mongolia	(Tugrik)	599.12	398.749	237.652	379.31
Montserrat	(E Carr $)	4.0441	2.6915	1.6041	2.5603
Morocco	(Dirham)	14.2061	9.4543	5.6347	8.9934
Mozambique	(Metical)	8207.38	5462.48	3255.6	5196.19
Namibia	(S A Rand)	5.1551	3.431	2.0448	3.2637
Nauru Is	(Australian $)	2.1143	1.4071	0.8386	1.3385
Nepal	(Nepalese Rupee)	69.4638	46.2321	27.554	43.9783
Netherlands	(Guilder)	2.8334	1.8857	1.1239	1.7938
N'nd Antilles	(A/Guilder)	2.6911	1.7844	1.0636	1.6974
New Zealand	(NZ $)	2.6233	1.7459	1.0405	1.6608
Nicaragua	(Gold Cordoba)	9.7135	6.4648	3.853	6.1497
Niger Rep	(CFA Fr)	857.74	570.875	340.238	543.045
Nigeria	(Naira)	32.9516o	21.9311	13.0706	20.862
Norway	(Nor. Krone)	10.9426	7.283	4.3406	6.928
Oman	(Rial Omani)	0.5786	0.385	0.2295	0.3663
Pakistan	(Pak. Rupee)	45.7805	30.4695	18.1596	28.9841
Panama	(Balboa)	1.5025	1	0.5959	0.9512
Papua New Guinea	(Kina)	1.4274	0.95	0.5662	0.9037
Paraguay	(Guarani)	2693.04	1792.37	1068.24	1705
Peru	(New Sol)	3.2447	2.1595	1.287	2.0542
Philippines	(Peso)	41.3940	27.55	16.4196	26.207
Pitcairn Is	(£ Sterling)	1.00	0.6655	0.3966	0.6331
	(NZ $)	2.6233	1.7459	1.0405	1.6608
Poland	(Zloty)	32969.35	21943	13077.9	20873.3
Portugal	(Escudo)	260.308	173.25	103.256	164.804
Puerto Rico	(US $)	1.5025	1	0.5959	0.9512
Qatar	(Riyal)	5.4527	3.629	2.1629	3.4521
Reunion Is. de la	(F Fr)	8.5774	5.7087	3.4023	5.4304
Romania	(Leu)	2336.16	1554.85	926.68	1479.05
Rwanda	(Fr)	218.70	145.557	86.7512	138.462
St Christopher	(E Carr $)	4.0441	2.6915	1.6041	2.5603
St Helena	(£)	1.00	0.6655	0.3966	0.6331
St Lucia	(E Carr $)	4.0441	2.6915	1.6041	2.5603
St Pierre	(French Fr)	8.5774	5.7087	3.4023	5.4304
St Vincent	(E Carr $)	4.0441	2.6915	1.6041	2.5603
San Marino	(Italian Lira)	2497.98	1662.55	990.869	1581.5
Sao Tome	(Dobra)	359.472	239.249	142.591	227.586
Saudi Arabia	(Riyal)	5.6341	3.7498	2.2348	3.567
Senegal	(CFA Fr)	857.74	570.875	340.238	543.045
Seychelles	(Rupee)	7.7324	5.1463	3.0671	4.8954
Sierra Leone	(Leone)	823.79	548.28	326.771	521.551
Singapore	($)	2.3800	1.584	0.944	1.5068
Slovakia	(Koruna)	49.202	32.7467	19.5166	31.1503
Slovenia	(Tolar)	200.09	133.171	79.3692	126.679
Solomon Is	($)	4.8682	3.2397	1.9302	3.0808
Somali Rep	(Shilling)	3924.24	2611.81	1556.62	2484.49
South Africa	(Rand)	5.1551c	3.431	2.0448	3.2637
		6.8289g	4.545	2.7088	4.3234
Spain	(Peseta)	207.345	138	82.2471	131.273
Spanish Ports in N Africa	(Sp Peseta)	207.345	138	82.2471	131.273
Sri Lanka	(Rupee)	73.4848	48.895	29.1411	46.5114
Sudan Rep	(Dinar)	46.4318	30.903	18.418	29.3965
Surinam	(Guilder)	2.6736	1.7794	1.0605	1.6926
Swaziland	(Lilangeni)	5.1551	3.431	2.0448	3.2637
Sweden	(Krona)	11.7670	7.8316	4.6675	7.4498
Switzerland	(Fr)	2.1291	1.417	0.8445	1.3479
Syria	(£)	30.7049	20.4358	12.1798	19.4396
Taiwan	($)	39.6284	26.3749	15.7193	25.0892
Tanzania	(Shilling)	744.41	495.448	295.284	471.295
Thailand	(Baht)	37.9983	25.29	15.0727	24.0571
Togo Rep	(CFA Fr)	857.74	570.875	340.238	543.045
Tonga Is	(Pa Anga)	2.1143	1.4071	0.8386	1.3385
Trinidad/Tobago	($)	8.2976	5.5226	3.2914	5.2534
Tunisia	(Dinar)	1.5763	1.0491	0.6252	0.9979
Turkey	(Lira)	30170.25	20080	11967.6	19101.1
Turks & Caicos	(US $)	1.5025	1	0.5959	0.9512
Tuvalu	(Australian $)	2.1143	1.4071	0.8386	1.3385
Uganda	(New Shilling)	1542.73	1026.78	611.952	976.72
Ukraine	(Karbovanets)	18418.22	12258.4	7305.92	11660.8
U A E	(Dirham)	5.5180	3.6725	2.1889	3.4935
United Kingdom	(£)	1.00	0.6655	0.3966	0.6331
United States	(US $)	1.5025	1	0.5959	0.9512
Uruguay	(Peso Uruguayo)	6.8974	4.5906	2.7359	4.3668
Vanuatu	(Vatu)	175.6423	116.9	69.6716	111.201
Vatican	(Lira)	2497.98	1662.55	990.869	1581.5
Venezuela	(Bolivar)	169.7074	112.95	67.3174	107.444
Vietnam	(Dong)	162288.10	107997	64365.6	102733
Virgin Is-British	(US $)	1.5025	1	0.5959	0.9512
Virgin Is-US	(US $)	1.5025	1	0.5959	0.9512
Western Samoa	(Tala)	3.9241	2.6117	1.5565	2.4843
Yemen (Rep of)	(Rial)	26.96	17.9434	10.6941	17.0686
Yemen (Rep of)	(Dinar)	0.6908	0.4594	0.2738	0.437
Yugoslavia	(New Dinar)				
Zaire Rep	(Zaire)	165.75	110.316	65.7477	104.938
Zambia	(Kwacha)	994.44	661.867	394.463	629.592
Zimbabwe	($)	12.2370	8.1444	4.854	7.7473

Special Drawing Rights March 10, 1994 United Kingdom £0.934185 United States $1.40081 Germany D Mark2.37237 Japan Yen147.845 European Currency Unit Rates March 11, 1994 United Kingdom £0.765869 United States $1.14766 Germany D Mark1.92036 Japan Yen120.619

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ♦ CIS applies to states in the Rouble Zone. (†) Yugoslav Dinar rate n/a.
Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4960/5. Friday, March 11, 1994

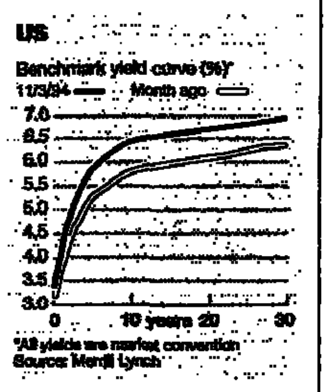
WORLD BOND MARKETS: This Week

NEW YORK
Richard Tomkins

Reason may argue that the rise in US bond yields has already more than discounted the possibility of another increase in interest rates, but sentiment continues to dictate otherwise. Last week the Treasury 30-year bond yield rose to 6.98 per cent as the market ran scared again, this time on political uncertainties caused by the investigation into the Whitewater land deal.

This week, the market is probably in a mood for consolidation. But it is unlikely to get it. It faces what Salomon Brothers describes as the statistical equivalent of a daylight bombing run as three key price reports are published on three consecutive days.

The raid starts on Tuesday with the publication of the producer price index for February. Salomon predicts the index will rise by 0.5 per cent, the largest monthly gain since last April – though excluding the volatile food and energy sectors, it believes the increase could be a more palatable 0.3 per cent.



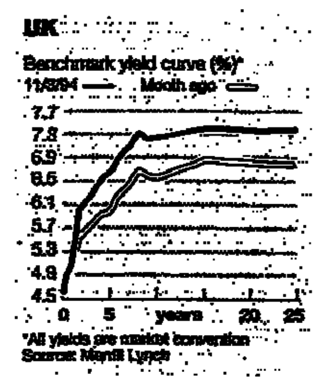
Wednesday sees the publication of the consumer price index, with analysts predicting an acceleration from January's 0.1 per cent to 0.3 or 0.4 per cent for February. Then, on Thursday, the Philadelphia Business Outlook Survey could scare the market if, as expected, it shows an increase in the proportion of manufacturers expecting input and output prices to rise.

LONDON
Philip Coggan

After several weeks of being buffeted by overseas influences, the gilts market will have some chunky UK economic statistics to chew on this week. But traders will still be watching for signs of Federal Reserve tightening and Bundesbank easing.

"Gilts are being driven by what is happening across the Atlantic," according to Mr James Barty, UK economist at Morgan Grenfell. Many analysts have argued that the economic fundamentals do not justify the recent falls in European bond markets, which started when the US raised interest rates on February 4. European markets, say analysts, should be able to decouple from the US influence; but so far they have failed to do so. Gilts have fared particularly badly, and suffered once more on Friday.

"The fundamentals may allow gilts to decouple at the shorter end of the yield curve, but we are not yet at the stage where the market can decouple at the longer end," reckons Mr Barty.



This week's information includes unemployment and retail sales, which will be scrutinised for signs of the strength of the recovery; and producer prices and average earnings, which will be monitored for inflationary pressures. Mr Barty says next week's data "will help the gilts market if it shows continued low inflation and modest growth".

FRANKFURT
David Waller

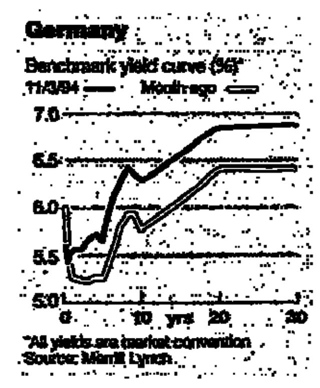
According to Ms Alison Cottrell of Midland Global Markets Research, investors' disappointment with the meagre 3 basis point cut in the repo rate last week was a "triumph of imagination over experience".

She points out that the Bundesbank rarely cuts the repo rate by 10 points or more without following up with a cut in the discount rate.

This is currently unlikely, she says, in the aftermath of embarrassingly high growth in M3 money supply in January (the annualised, seasonally adjusted growth rate was revised up from 20.6 per cent to 21.2 per cent on Friday), however strong the fundamentals in terms of easing inflationary pressures.

Thus this Thursday's meeting of the Bundesbank's policy-making council is not tipped to cut the discount rate from its current level of 5.25 per cent.

The central bank may take the opportunity to announce a fixed rate tender for next week, thereby ushering money market rates down further, but the best that can be hoped for this week is a further minuscule cut in the repo rate after another variable rate tender.



The market will also reflect on the outcome of yesterday's elections in the state of Lower Saxony and the impact of last Friday's pay settlement for public sector workers.

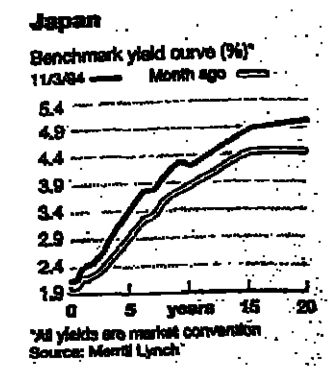
TOKYO
Emiko Terazono

With seasonal profit-taking ahead of the March year-end almost over, volatility on the government bond market is expected to subside this week.

Bond traders believe the worst is over for the JGB market, as the yield on the No 157 10-year benchmark closed last week at 3.94 per cent, off its week's high of 4.1 per cent.

Brokers S.G. Warburg in Tokyo believes bond yields have risen too quickly. It says the recent plunge has pushed real bond yields up to the average of 1991 and 1992 and considering the still sluggish economic conditions, there is room for the 10-year bond yield to fall to 3.6 per cent.

Japanese bond market participants will also be focusing on US interest rates this week. The recent fall on the Tokyo market has been exacerbated by the sell-off in international bond markets. Sentiment will remain jittery as long as the US Treasury bond market is unstable.



The Bank of Japan is expected to keep a loose grip on short-term money market rates. Demand for funds is expected to rise as a new reserve maintenance period for banks' deposits at the central bank starts on Wednesday. Mr Yasushi Mieno, BoJ governor, last week warned of the negative impact of higher long-term interest rates on the economy, and is likely to continue to prevent a rise in overnight call rates.

Capital & Credit / Richard Waters

Banks return to acquisition finance

The financing of takeovers in the US passed a significant milestone last week. As an all-cash, $2bn battle broke out in the defence industry for Long Island-based Grumman, the message to the financial markets was loud and clear: the banks are back.

A $1.9bn offer from Martin Marietta, launched at the start of the week, was underwritten in its entirety by J.P. Morgan and Bank of America, with the two banks making an additional $500m available on top. By Thursday, rival Northrop had responded with a $2bn bid, backed by total commitments of $2.8bn from Chase Manhattan and Chemical.

The extra cash available to both bidders immediately raised the spectre of a bank-financed bidding war, pushing Grumman's market value on Friday up to $2.2bn.

Neither offer is highly leveraged. Northrop has minimal gearing at present, with debt only 10 per cent of total capital. Standard & Poor's calculates that Martin Marietta's gearing would go up from 36 per cent to 54 per cent if it wins the battle for Grumman. Yet the willingness of some of the US's biggest financial institutions to lay more than $1bn each on the line inevitably prompts comparisons with the debt-financed acquisitions of the 1980s, known for their leverage.

Starved of opportunities to lend, a whole array of US and foreign banks have pinpointed acquisition finance as one area of growth.

"There is a great deal of bank money chasing far too few deals," says Mr Stewart Boswell of North Carolina-based NationsBank, one of a number of banks whose ambitions to play a prominent role in big corporate transactions is making the bank lending market increasingly competitive. If banks are so eager to lend again, can reckless leverage be far behind?

Until recently, the US's latest takeover wave had been carried along by a buoyant equity market, prompting a rash of all-share bids. Now, two things have changed. First, with short-term US interest rates widely expected to rise further, the stockmarket has lost some of its shine.

Second, equity investors are no longer so confident in the ability of acquisitive companies to expand without diluting their earnings. The $10bn battle for Paramount Communications did much to change sentiment. As the share prices of bidders Viacom and QVC came under pressure, both fell back increasingly on bank finance to support their offers.

The banks are more than ready to fill the gap. Acquisition financing could help to plug part of the hole left by the slide in banks' lending to their big business customers so far in the 1990s. Total commercial and industrial lending by US banks has picked up slightly from its low point in the third quarter of last year, but is still around $100bn lower than the peak $600bn reached in 1990.

More important to the banks, though, are the fees for underwriting big transactions. Equity-financed deals favoured Wall Street's investment banks, which reaped big underwriting profits last year. Transactions backed with debt, on the other hand, will boost the fee income of commercial banks – particularly now that the biggest of them have the ability to arrange bond deals as well as syndicated loans.

Underwriting fees vary greatly, depending on the amount of leverage involved. For committing $100m to back Loral's acquisition of IBM's aerospace business, for instance, banks were offered fees of 6.5 basis points. On the other hand, those committing $25m to the $1.5bn transaction to releverage Jefferson Smurfit in the US are being paid 150 basis points.

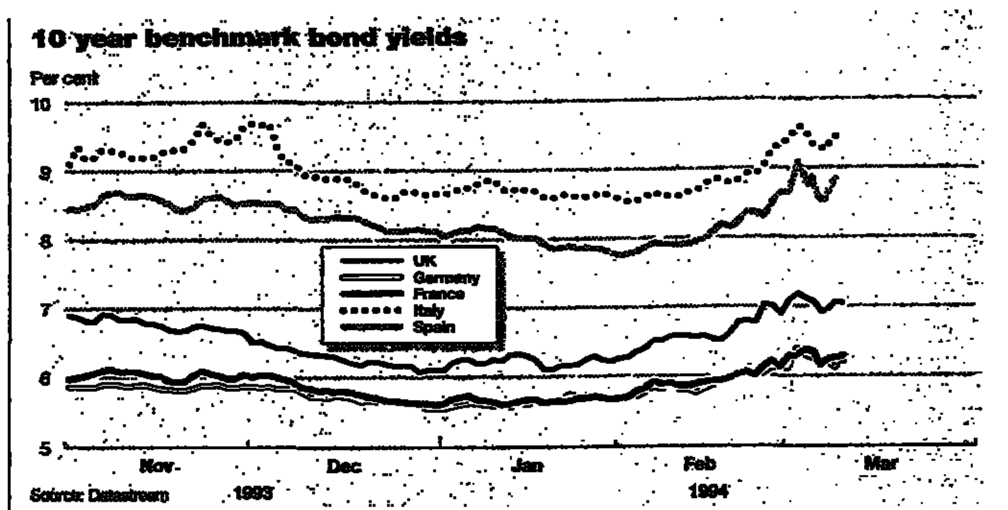
A handful of money-centre banks are coming to dominate the business. The Grumman battle is unusual in that just four banks have committed more than $5bn between them. Two of the four – Morgan and Chemical – also featured in the bank financing of the rival bids for Paramount, acting for Viacom and QVC respectively (Citibank also acted as a joint-lead for Viacom.)

The availability of bank money – together with the renaissance last year of the junk bond market – has also kicked the leveraged buy-out business back into life. The $1.5bn Jefferson Smurfit deal ($1.3bn of it underwritten in the bank market, with another $250m of junk bonds) involves the first leveraged bank financing of more than $1bn since 1990, when the buy-out market last ground to a halt.

How far will it go? The limitations on leverage at the moment are being imposed by buyers, rather than financiers. The equity component in a typical leveraged transaction has fallen to 20 per cent or less, from 25 to 30 per cent last year, but is still higher than the 5–10 per cent level common in the 1980s.

"Leverage is back. It's just a question of how far companies want to go," says Mr James Lee, managing director in charge of structured finance at Chemical, probably the most aggressive bank in the leveraged buy-out business at the moment. With such views now common among bankers, it may not be long before the multi-billion leveraged buy-out is back.

10 year benchmark bond yields



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.25	7.00[1]	8.00	5.25[2]
Overnight	3.13	2.16	5.94	6.25	8.50	4.25
Three month	3.87	2.28	5.75	6.19	8.51	5.06
One year	4.28	2.31	5.37	5.78	7.75	5.21
Five year	5.98	3.21	5.80	6.77	9.27	6.66
Ten year	6.45	3.94	6.39	6.37	9.59	7.26

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109-06	109-30	+0-18	110-02	108-27	10,134	63,559
Jun	108-04	108-29	+0-18	109-01	107-26	589,402	314,154
Sep	107-11	108-01	+0-19	108-04	106-29	1,166	37,316

UK GILTS PRICES

	Notes	Price £	W'k % +/-	Amnt £m	Interest due	Last xd	City line
Shorts* (Lives up to Five Years)							
Exch 13½pc 1994		101⅛	-.1	1,100	Ap27 Oc27	20.9	1287
Treas 10pc Ln 1994‡‡		101¼	-.1	1,900	Ja9 De9	2.11	1284
Exch 12½pc 1994		103⅛	-.2	1,240	Fe22 Au22	17.1	1283
Treas 9pc 1994‡‡		102¼	-.1	1,900	My17 Nv17	11.10	1345
12pc 1995		108	-.1	2,350	Ja25 Jy25	20.12	1294
Exch 3pc Gas 90-95		97⅜	0.2	214	My1 Nv1	27.9	1271
10¼pc 1995		106⅝	-.1	2,500	Ja21 Jy21	16.12	1264
Treas 12¾pc 1995‡‡		111⅞	-.1	840	My15 Nv15	11.10	1298
14pc 1996		114¾	-.2	770	Ja22 Jy22	16.12	1305
15¼pc 1996‡‡		118⅞	-.2	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡		115⅛	-.2	800	My15 Nv15	11.10	1288
Conversion 10pc 1996		109⅜	-.3	3,409	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡		118⅝	-.2	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997		111⅞	-.3	3,700	Fe21 Au21	17.1	1253
Treas 8¾pc 1997‡‡		107⅜	-.3	5,550	Mr1 Se1	24.1	1341
Exch 15pc 1997		127⅛	-.4	830	Ap27 Oc27	20.9	1269
9¾pc 1998		110¼	-.6	3,550	Ja19 Jy19	13.12	1273
Treas 7¼pc 1998‡‡		102⅝xd	-.6	7,850	Mr30 Se30	21.2	-
Treas 6¾pc 1995-98‡‡		101⅜	0.1	1,200	My1 Nv1	27.9	1331
14pc '96-1		125⅜	-.5	970	My22 Nv22	18.10	1306
Treas 15½pc '98‡‡		133⅜xd	-.7	935	Mr30 Se30	21.2	1308
Exch 12pc 1998		120⅞	-.4	3,909	My20 Nv20	14.10	1259
Treas 9½pc 1999‡‡		111⅛	-.7	1,900	Ja15 Jy15	9.12	1347
Five to Fifteen Years							
Exch 12¼pc 1999		122⅛xd	-.6	3,050	Mr26 Se26	20.8	1264
Treas 10½pc 1999		115⅜	-.4	1,252	My19 Nv19	13.10	1288
Treas 6pc 1999 ‡‡		97¼xd	-1.0	3,900	Fe10 Au10	4.1	-
Conversion 10¼pc 1999		115⅜	-.6	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡		110⅛	-.8	5,358	Mr3 Se3	25.1	1244
Treas 13pc 2000		129⅛	-.9	3,171	Ja14 Jy14	8.12	1299
10pc 2001		115⅛	-.8	4,406	Fe26 Au26	30.1	1280
7pc 01 ‡‡		99⅜	-.9	3,250	My6 Nv6	-	-
7pc '01 A		49⅞	-1.8	2,500	My6 Nv6	-	-
9¾pc 2002		115⅛	-.9	6,527	Fe27 Au27	21.1	1349
8pc 2003‡‡		105⅛	-1.1	7,800	Je10 De10	3.11	-
10pc 2003		117⅜	-1.0	2,503	Mr8 Se8	31.1	1281
Treas 11½pc 2001-4		122⅞xd	-.9	1,620	Mr19 Se19	10.2	1290
Funding 3½pc '99-4		78	-1.2	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		115⅛	-1.0	3,412	Ap25 Oc25	20.9	1246
Treas 6¾pc 2004‡‡		98⅜	-1.3	3,250	My26 Nv26	-	-
6¾pc 2004 A		98⅞	-1.2	3,000	My26 Nv26	-	-
Conv 9½pc 2005		115⅜	-1.0	4,842	Ap18 Oc18	13.9	1247
Treas 12½pc 2003-5		133⅛	-1.2	2,200	My21 Nv21	15.10	1295
7¾pc 2006‡‡		103⅛	-1.3	3,900	Mr8 Se8	31.1	-
8pc 2002-6‡‡		103⅜xd	-.3	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7		126⅞	-1.1	3,150	Ja22 Jy22	16.12	1293
Treas 8½pc 2007 ‡‡		109⅛	-1.1	5,497	Ja16 Jy16	10.12	1339
13½pc '04-8		149⅜xd	-1.3	1,250	Mr26 Se26	17.2	1301
Treas 9pc 2008 ‡‡		114⅛xd	-1.2	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years							
Treas 8pc 2009		106¼xd	-.6	3,100	Mr25 Se25	15.2	1336
Treas 6 1/4pc 2010 (£50pd)		41½	1.2	2,750	-	-	-
Conv 9pc Ln 2011 ‡‡		115¼	-1.4	4,273	Ja12 Jy12	6.12	1245
Treas 9pc 2012‡‡		115⅝	-1.5	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡		83½xd	-.3	1,000	Mr10 Se10	1.2	1330
Treas 8pc 2013‡‡		105⅜xd	-1.5	4,950	Mr27 Se27	18.2	-
7¾pc 2012-15‡‡		104⅛	-.7	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡		114⅜	-1.8	6,950	Fe25 Au25	19.1	1982
Exch 12pc '13-'17		144⅛	-1.5	1,000	Ja12 De12	5.11	1260
Undated							
Consols 4pc		52⅛	-1.5	359	Fe1 Au1	29.12	1238
War Loan 3½pc‡‡		47⅛	-1.2	1,909	Je1 De1	25.10	1352
Conv 3½pc '61 Aft		82⅜xd	-1.7	119	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft		38⅝xd	0.2	56	Ap5 Oc5	1.3	1324
Consols 2½pc		33½xd	-.8	275	5JaApJyOc	1.3	1238
Treas. 2½pc		32½xd	-.9	475	Ap1 Oc1	21.2	1315
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	137⅛	0.1	500	My16 Nv16	11.10	5070
2pc '96	(67.9)	200⅞xd	—	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡	(135.6)	110¼	0.3	800	Ap27 Oc27	20.9	-
2½pc '01	(78.3)	170⅜xd	-.7	1,500	Mr24 Se24	15.2	1316
2½pc '03	(78.8)	167⅛	-.6	1,050	My20 Nv20	14.10	1317
4⅜pc '04‡‡	(135.6)	113⅜	-.4	850	Ap21 Oc21	14.9	-
2pc '06	(69.5)	176⅜	-.2	1,550	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	158⅛	-.2	1,550	My20 Nv20	14.10	1318
2½pc '11	(74.6)	165⅞	0.1	1,800	Fe23 Au23	17.1	1319
2½pc '13	(89.2)	136¼	-.4	2,300	Fe16 Au16	10.1	1320
2½pc '16	(81.6)	145½	-.3	2,400	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	140⅞xd	-.3	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡	(97.7)	117½	-.5	1,900	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡	(135.1)	117⅛	-.5	1,300	Ja16 Jy22	16.12	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.946. RPI for June 1993: 141.0 and for January 1994: 141.3.

Other Fixed Interest

	Price £	W'k % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	130⅛	-1.2	50	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009	122⅛	-1.0	100	Mr24 Se24	28.3	-
B'ham 11½pc 2012	132½	1.7	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	106⅝	0.3	303	Ap1 Oc1	-	1465
9pc Cap 1996	101½	0.5	725	Ja30 Jy30	-	-
13pc '97-2	112¼	0.1	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	155¾	-1.2	40	My30 Nv30	27.10	-
Leeds 13½pc 2006	142¼	1.6	40	Ap1 Oc1	12.3	3148
Liverpool 3½pc Irred.	41½	1.2	5	1JaApJeOc	1.8	3168
LCC 3pc '20 Aft.	37	1.4	28	1MrJeSeDe	1.8	-
Manchester 11½pc 2007	128½	1.8	6	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'	73½	1.4	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	142½	1.4	60	Ja30 Jy30	1.3	3465
4⅛pc IL 2024	137¼	1.5	50	-	20.7	-
Utd Mex States 16½pc 2008	150¼	0.8	50	Mr1 Se1	27.8	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Conner Middelmann

Renewed interest in index-linked gilts

After underperforming conventional UK government bonds in the recent sell-off, index-linked gilts could outperform the rest of the market in coming months, some analysts say. While UK inflation forecasts vary, the uncertain inflation outlook may fuel interest in the index-linked sector.

Meanwhile, other countries are warming to index-linked bonds, with Sweden planning to kick off its index-linked sector with an issue of 20-year zero-coupon bonds in April.

Index-linked gilts were created to offer investors a hedge against inflation, as measured by the Retail Prices Index. Interest payments and the amount due at maturity are adjusted to reflect changes in the RPI. If retail prices rise, an index-linked gilt provides a nominal gain from purchasing the stock at issue and holding it to maturity. If retail prices fall, the expected redemption value of an index-linked stock also declines, but retains its value in real terms.

In the UK there are currently 15 index-linked stocks in issue, with an outstanding nominal value of around £21.5bn – about 11 per cent of the total gilt market.

Since the beginning of the year, conventional gilts have posted a total return of minus 3.7 per cent, compared with a loss of 4.5 per cent in the index-linked sector (to Thursday's close), says Mr Chris Dillow, UK economist at Nomura Research Institute.

The recent sell-off in gilts was largely sparked by external factors: a rise in US yields following the Federal Reserve's monetary tightening, frustration at the slow pace of Bundesbank easing, and heavy bond sales by highly leveraged speculators. The resulting rise in conventional yields dragged index-linked yields higher. Indeed, index-linked fared worse than conventional gilts because their lower yield base and longer duration means their price is more sensitive and will move more sharply on identical shifts in yield.

According to Mr Dillow, index-linked yields are determined not by "real economy" factors, but by conventional bond yields minus inflation expectations, where conventional yields are determined principally by short-term rates and overseas yields, and where inflation expectations include an allowance for inflationary risk.

"Index-linked yields have risen because conventional yields have risen by more than inflation expectations," he says.

This suggests that index-linked gilts can outperform conventionals in the next few months, mainly because falling overseas yields may push UK yields lower, he says.

In the US this would be a stabilisation in yields after the recent sell-off.

In Germany, the case for lower yields is stronger, with the Bundesbank aggressively cutting short-term rates as inflation and M3 money supply growth weaken, he says.

Moreover, the gap between index-linked and conventional yields could widen as index-linked gilts benefit from rising UK inflationary expectations.

For example, the yield gap between the 9 per cent gilt due 2008 and the 2½ per cent index-linked due 2009 has widened to 4.11 per cent on Friday, from 3.60 per cent on December 31

Meanwhile, Sweden is setting up its own index-linked market. It plans to raise up to SKr10bn in an auction of 20-year zero-coupon bonds in the week of April 18, says Mr Staffan Crona, director-general at the Swedish National Debt Office.

Sweden is the first country to issue zero-coupon index-linked bonds, which Mr Crona says offer better inflation protection and are easier to price.

"We hope to attract institutional investors with a long-term view, such as life insurers and the national Swedish pension fund. They are very keen on having investments that offer real interest rates over a long period, as they often have to make payments to their clients in 20 or 30 years' time," he said, adding "some of them have already shown great interest".

If the results of the first issue are satisfactory, "we will probably continue issuing index-linked bonds to the institutional market, and may also issue bonds with smaller denominations to attract retail investors", he says. The first bond will probably be issued in denominations of SKr100,000 or SKr1m.

Liquidity in the index-linked sector will be limited at first, Mr Crona says. "I don't think the market will be as liquid as the big benchmark loans in the Swedish government bond market, but it is our ambition to a create liquid market for index-linked bonds as well."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Walt Disney Company(a)	475	Mar.2001	4.20§	100.00	-	-	Citibank/ CSFB
Tomeku Co.(b)Φ	100	Mar.1998	1.00	100.00	-	-	Nikko Europe
Tobu Railway Co.(c)Φ	400	Mar.1998	1.125	100.00	-	-	Yamaichi Intl.(Europe)
Cosmo Oil Co.(d)Φ	300	Mar.1998	1.00	100.00	-	-	Nomura International
Hitachi Zosen Corp.(e)Φ	200	Mar.1998	1.125	100.00	-	-	Nomura International
Burns Philp Treas.(Europe)(f)§	100	Apr.2004	5.50§	100.00	-	-	Morgan Stanley Intl.
Skopbank‡	75	Apr.1999	(g)	100.00R	-	-	CS First Boston
Banco Francês e Brasileiro	110	Mar.1995	7.50§	100.00R	7.500	+330(T-bill)	Crt.Lyonnais Euro-Secs.
Bank of Tokyo Trust Co.(p)‡	50	Apr.2004	(q)	100.225	-	-	Bk. of Tokyo Cap.Mkts.
Fulmar Mort. Secs.(No.1)‡	61	Feb.1998	(t)	99.957R	-	-	Morgan Stanley Intl.
Fulmar Mort. Secs.(No.1)‡	78.79	Nov.1998	(u)	99.931R	-	-	Morgan Stanley Intl.
Fulmar Mort. Secs.(No.1)‡	12.44	Aug.1999	(v)	99.829	-	-	Morgan Stanley Intl.
Fulmar Mort. Secs.(No.1)‡	65.03	Feb.2000	(x)	99.844	-	-	Morgan Stanley Intl.
Fulmar Mort. Secs.(No.1)‡	115.2	Nov.2000	(y)	99.805	-	-	Morgan Stanley Intl.
Okura Construction Co.★‡	35	Mar.1999	(A)	100.00	-	-	Daiwa Bank Cap.Mgmt.
Okura Construction Co.★‡	35	Mar.1998	(B)	100.00R	-	-	IBJ International
Kingdom of Sweden‡	3bn	Oct.1995	(E)	100.00	-	-	CS First Boston
New Zealand Dairy Board‡	150	Apr.1999	(K)	99.82	-	-	Lehman Brothers Intl.
D-MARKS							
Okura Construction Co.★‡	55	Mar.1999	(C)	100.00	-	-	Sanwa Bank (Deutsch.)
YEN							
Furukawa Electric Co.‡	10bn	Jun.1998	(I)	100.15R	-	-	DKB International
Furukawa Electric Co.‡	10bn	Mar.1998	(J)	100.05R	-	-	Daiwa Europe
STERLING							
Chubu Electric Power(m)	250	Aug.1999	6.75	99.55R	6.922	+40 (6%-99)	Sakura Fin./Warburg
SGW Finance(o)‡	150	Mar.1998	(o)	99.85R	-	-	SG Warburg Securities
British Land Co.(l)§	150	undated	6.00§	100.00	-	-	Swiss Bank Corp.
Inter-American Dev. Bank(w)	150	Nov.2004	7.125	99.00R	7.271	+45 (6¾%-04)	BZW/ Daiwa Europe
South West Water(J)	50	Feb.1998	8.375	104.12	7.101	-	Barley Brothers
FRENCH FRANCS							
Peugeot(k,m)§	3.96bn	Jan.2001	2.00	(k)	-	-	Société Générale
Fiance(l,m)§	1.975bn	Jan.2001	3.00	(l)	-	-	Banque Paribas
Cofinoga	1bn	Apr.2004	6.875	98.98R	7.020	+78 (5½%-04)	CCF
CANADIAN DOLLARS							
Chubu Electric Power Co.	500	Mar.2001	7.375	99.60R	7.564	+50 (F)	Daiwa/Sakura/W.Gundy
GUILDERS							
DSL Finance	250	Apr.2004	6.25	99.70R	6.291	+19.6(5¾-04)	Nikkosting Fin. Mkts.
ITALIAN LIRE							
Deutsche Bank Finance(f)	100bn	Jan.2004	8.25	99.36	8.339	-	Deutsche Bank London
Abbey Natl.Treas.Services	250bn	Apr.2004	9.00	99.825R	9.059	-	Banca Euromobiliare
Eurofima(G)	100bn	Feb.2004	7.70	96.06	8.296	-	Deutsche Bank London
ECUS							
Crédit Local de France(h)	60	Sep.1998	6.00	99.801	6.040	(i) (7¼%-98)	Kidder Peabody/ SBC
SWEDISH KRONOR							
Fulmar Mort.Sec.(No.1)(w)	1.004bn	Nov.1999	7.25	99.917R	-	-	Morgan Stanley Intl.
Fulmar Mort.Secs.(No.1)(z)	319.628	Nov.2000	7.65	100.00	-	-	Morgan Stanley Intl.
SWISS FRANCS							
Toyo Shutter Co.(g)★Φ	120	Mar.1998	0.125	100.00	-	-	Credit Suisse
Kinki Nippon Railway(h)★Φ	300	Mar.2001	2.00	100.00	-	-	Nomura Bank (Switz.)
Sharp Corp.(s)★Φ	700	Mar.1998	0.125	100.00	-	-	Credit Suisse
Nederlandse Gasunie	125	Apr.1999	4.25	102.875	3.611	-	ABN Amro Bank(Switz.)
Bank for Dutch Municipalities	100	Apr.2001	4.375	102.25	4.000	-	Banca del Gottardo
HONG KONG DOLLARS							
Inter-American Dev. Bank	500	Apr.2004	7.30§	100.39R	7.245	-	UBS, Hong Kong
LUXEMBOURG FRANCS							
National Bank of Hungary	2bn	Apr.2001	8.875	101.90	8.503	-	BGEE

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ΦWith equity warrants. ★Unlisted or private placement. §Semi-annual coupon and yield. R: fixed re-offer price. a) Potentially additional payments from profits on portfolio of films. b) Denom: $10,000 +2 wrts. Ex price: Y782.80, on 1.15:1 split. FX: 106.60Y/$. c) Denom: $10,000 +2 wrts. Ex price: Y700, on 100:100 split. FX: 106.60Y/$. d) Denom: $10,000 +2 wrts. Ex price: Y877. FX: 106.35Y/$. e) Denom: $10,000 +2 wrts. Ex price: Y573. FX: 106.60Y/$. f) Conv price: A$5.40. FX: 0.70936A/$. Callable from 15/5/97 at par. g) Denom: SFr50,000 +50 wrts. Ex price: Y1138. FX: 73.98Y/SFr. h) Denom: SFr50,000 +50 wrts. Ex price: Y884. FX: 74.45Y/SFr. i) 6-mth Libor flat. j) 3-mth Libor +¼%. k) Issue price: FFr890. Redemption price: FFr1224. Conv ratio: 1 for 1. Callable from 1/1/00, subject to 100% rule, at FFr1224. l) Issue price: FFr1370. Redemption price: FFr1684. Conv ratio: 1 for 1. Callable from 1/1/97, subject to 115% rule, at accrued value. m) Short 1st coupon. n) Callable on 14/4/97 and annually thereafter at par. o) 6-mth Libor +0.45% for 1st 3 yrs and 9% fxd thereafter. p) Puttable in Mar.96 at par. q) 3-mth Libor +0.2%. r) Fungible with L200bn. Plus 63 days accrued. s) Denom: SFr50,000 +50 wrts. Ex price: Y1743. FX: 74.95Y/SFr. t) Tranche A1. 3-mth Libor +0.15%. Average life: 1.48 yrs. u) Tranche A2. 3-mth Libor +0.20%. Average life: 2.38 yrs. v) Tranche A3. 3-mth Libor +0.25%. Average life: 2.56 yrs. w) Tranche A4. Quarterly coupon. Average life: 2.58 yrs. x) Tranche A5. 3-mth Libor +0.275%. Average life: 3.71 yrs. y) Tranche A6. 3-mth Libor +0.30%. Average life: 4.21 yrs. z) Mezzanine tranche. Quarterly coupon. Average life: 1.83 yrs. A) 6-mth Libor +0.275%. B) 6-mth Libor +¼%. C) 6-mth Libor +0.3%. D) Conv price: 510p. Callable from 9/4/01 at par with 7 yrs of 130% protection. E) 3-mth Libor -⅛%. F) Over interpolated yield. G) Fungible with L500bn. Plus 73 days accrued. H) Fungible with Ecu175m. Plus 180 days accrued. I) Flat to French BTANs. J) Fungible with £35m. Plus 87 days accrued. K) 3-mth Libor +⅛%. Note: Yields are calculated on ISMA basis.

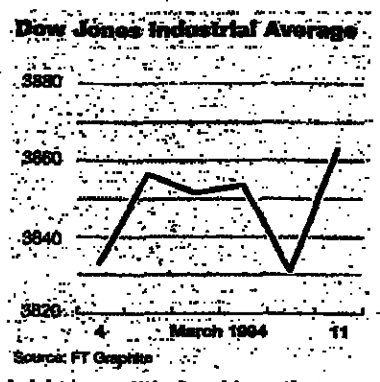
EQUITY MARKETS: This Week

NEW YORK

Patrick Harverson

Investors optimistic on inflation

Dow Jones Industrial Average



Source: FT Graphite

In recent weeks, long-term US interest rates have climbed rapidly amid growing concerns about resurgent inflation and the concerns have spread to the stock market, where prices have struggled to make headway in spite of mostly bullish news on the economy.

This week, the stock market will have the opportunity to judge for itself whether inflation is really on the rise again, and some good news should allow stocks to shake off their inflation fears.

Tomorrow, the February producer prices index is released, and a day later, the consumer prices index is published. Although analysts expect the two indices to show slightly stronger growth than in January (the brokerage house Donaldson, Lufkin & Jenrette forecasts that both the PPI and CPI rose by 0.4 per cent last month), the inflation alarm bell is likely to stop ringing.

If analysts' forecasts prove correct, the annual consumer inflation rate will measure close to 2.4 per cent. That is a full point below the comparable rate recorded at the same stage of 1993, a remarkable reduction considering the economy over the past two months has been growing at a significantly faster pace than in the same period a year ago.

A hint of how the markets are likely to respond to favourable inflation reports came last Friday, when after a poor start, share prices rose steadily on the back of declining bond yields. Stocks firmed on Friday as investors turned more optimistic about this week's inflation data. Above all, they were able to take a step back from some of the economic, and political, analysis that disrupted trading earlier in the week.

Yet, even if the inflation picture brightens, political problems that have unsettled investors recently are unlikely to fade into the background especially quickly. Most of Wall Street agreed by the end of last week that the fuss the bond market, and later the stock market, made over rumours swirling around the Whitewater affair was overdone, but the White House is unlikely to emerge from the clouds of the "scandal" particularly soon.

As long as the perception holds that President Clinton is politically hampered by the growing inquiry into Whitewater, and by press revelations of a possible cover-up, then it is of concern to investors.

Why? While that is not easy to answer, it is often said that if the President gets into deeper trouble, so does his political agenda, which includes such a market-sensitive programmes as healthcare and welfare reform.

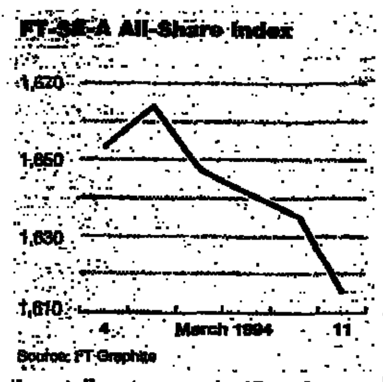
Politics aside, the stock market's immediate future depends on what happens next to long-term interest rates. The yield on the 30-year government bond has leapt more than 100 basis points, to 6.9 per cent, since October. While the yield may edge a bit higher from here, bond investors may soon realise the Treasury market correction has gone far enough. This scenario would give the stock market some much-needed breathing room, and allow investors to digest the events of the past few weeks in a more considered fashion.

LONDON

Terry Byland

Signs that confidence is recovering

FT-SE-A All-Share Index



Source: FT Graphite

The stock market is trying hard to revert to its traditional role as a measure of performance of Great Britain plc, but the process is not proving easy. Bond markets, both in Europe and the US, are still capable of throwing UK equities back on their heels and are likely to present fresh challenges this week.

The problem appears to be one of general nervousness rather than simply of interest rate prospects, or what the Bundesbank or the Federal Reserve may or may not do. For equities, the warning is that any tremor in the bond markets can still wipe out the fragile recovery of confidence in the stock market.

But there are clear signs that confidence is recovering as the flow of company results and, more importantly, of dividend statements, indicates that economic recovery is making itself felt.

There have been increased dividends from the banking sector, and from Glaxo and HSBC, two of the biggest companies in the market. Last week's high-flyer, in terms of trading volume and share performance, was BTR, another dividend-boosted stock.

NatWest Securities, noting that since last April, the gross dividend base of the market has risen by 5 per cent, is lifting its own dividend growth forecast to 7 per cent for 1994, which, it calculates, represents a real increase of around 4 per cent.

Significantly, NatWest now predicts a switch away from the consumer sector as the likely engine of economic recovery, preferring the diversified manufacturing stocks; consumer-oriented sectors are still suffering a flow of downgradings in profit forecasts.

Forecasts for earnings growth in the retail sector are, significantly, only around 13 per cent for this year, compared with about 16 per cent for the market as a whole. The likely impact next month of the Budget changes in taxation, the less confident view on domestic interest rates and the generally lacklustre image of some retail group managements, have combined to cast a cloud over the sector.

Dixons and Burton both have fallen out of favour in the market and are now seen in some quarters as yesterday's stocks. Dixons, having pleased the stock market and nation's high streets alike with its aggressive marketing of electronic goods, has never quite recovered after a disappointing statement on Christmas trading. Now the spotlight has turned on the implications of the OFT investigation into warranties.

Burton is regarded as a victim of its policy of discounting at its Multiples chains, which are believed to have weakened brand names.

A similar cloud has fallen over the commercial property sector, where anticipation, at least on the part of some investors, continues to outrun performance. Confidence in a long-awaited recovery in office property in the City of London has been jolted by the first of the December results statements.

For the near term, the focus will be on prospects in European property, with Brixton Estates and Hammerson reporting soon.

INDICES AT A GLANCE

	Closing price	Percentage Change Over week	Percentage Change Over 12 months	Percentage Change Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,191.90	-2.6	+8.1	-6.6	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,191.10	11/3/94
Dow Jones Ind.	3,824.42	+0.8	+11.7	+0.9	3,978.36	31/1/94	3,370.81	2/4/93	3,978.36	31/1/94	3,756.60	3/1/94
Nikkei	20,115.51	+0.7	+12.3	+15.5	21,048.11	13/9/93	16,078.71	29/11/93	20,416.34	1/2/94	17,369.74	4/1/94
Dax	2,103.49	+2.1	+22.5	-7.2	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,020.33	2/3/94
CAC 40	2,174.91	-0.2	+19.4	-4.1	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,144.66	2/3/94
Banca Com. Ital.	665.20	+1.9	+27.6	+7.4	689.03	18/2/94	475.01	31/3/93	689.03	18/2/94	588.85	10/1/94

FT Graphite

OTHER MARKETS

FRANKFURT

Thursday sees the last Bundesbank council meeting for a month. UBS says that after the welter of comments from the Bundesbank about the demotion of M3, it would seem that we are now in for a period of further cuts in repo rates, but in small steps, even with further progress in the wage round. UBS, however, does not expect any further cut in the discount rate until the end of April.

Consensus estimates are for a 35 per cent fall in profits from BASF on Thursday and a 9 per cent decline from Bayer on Friday.

Schering is today expected to report a slight increase in sales for the start of 1994, but investors will be more interested to hear what the company has to say about the outlook for sales of its Betaseron multiple sclerosis treatment in the US.

AMSTERDAM

Ahold, the Netherlands' largest retailer and one of the top 10 largest food retailers in the US through ownership of four chains, reports on Thursday and consensus estimates are for a 13 per cent rise in 1993 net profit. Hoare Govett says the company will be one of the major beneficiaries of dollar strength while the scope for recovery in earnings at FNS East (now renamed Edwards) and at Finast Ohio is significant.

PARIS

LVMH, the world's largest luxury goods group, reports on Thursday, and forecasts are for a 5-10 per cent decline in full-year net profit. BSN is seen posting a 5 per cent decline in 1993 net profit on the same day. Pinault-Printemps, the retail group which has triggered protests from minority investors with its all-share offer for full control of La Redoute, its mail order subsidiary, reports on Friday. Consensus estimates are for a 13 per cent decline in net profits.

MILAN

Parmalat, the diary products group whose shares slid at the end of last week after it said it would seek a mandate from shareholders to raise up to L500bn over the next five years through bonds and warrants, is in Edinburgh today and London tomorrow with presentations to analysts.

TOKYO

Volatility may increase as more companies announce downward revisions of earnings forecasts for the year to the end of March.

RISK AND REWARD

Learning lessons from failed hedging strategies

Here's a test for all budding risk managers. Your company has a problem. It has been very ambitious in developing sales of its main products, which are all oil-based. Delivery commitments under fixed price contracts run as much as 10 years into the future. If the price of oil goes up, your company will suffer.

Your predecessor as risk manager thought he had the answer. He bought futures and swaps to match the sales commitments, barrel for barrel. A good hedge? The problem is, there is liquidity only in short-term oil derivative contracts. So he placed all the hedges in short-term instruments.

You can guess what happened next: oil prices plunged. With a position of around 160m barrels in the derivatives markets, this led to some pretty big margin calls. In fact, the cash calls ran into hundreds of millions of dollars, banks had to be persuaded to save the company from bankruptcy, the chief executive was sacked.

This is where you come in. A new management has inherited the mess, and wants you to sort it out.

No prizes for guessing that this is Metallgesellschaft. The company sacked Mr Arthur Benson, the person it blamed for the mess. It replaced him with Ms Nancy Kropp, an oil trader with a history of fire-fighting (she had helped Deutsche Bank, MG's main banker, with a similar – though lesser – disaster at German company Kloekner in the 1980s.)

The first option facing you, as the new risk manager, is simply to do nothing. In your heart, perhaps, you think the oil price won't fall much further.

The company has already taken the pain of meeting the margin calls. Also, if the oil price stays low, the future profits on contracts with customers will eventually match the derivatives losses. It will all come out in the wash. This was certainly the view of some derivatives experts when the MG problem blew up last December.

The second option is to keep the existing positions, and buy another big hedge. This was Mr Benson's preferred route. His solution: buy a huge put option, to protect the company from any further fall in the oil price.

This, in the view of the new management, was akin to shutting the stable door after the horse had bolted.

The third option is to shrink both sides of the book: end some of the delivery contracts with customers and sell the matching "hedges," drastically reducing the company's positions. This is the route chosen by Ms Kropp.

Mr Benson, who is suing MG and Deutsche Bank, claims her approach has led to real losses, rather than just the paper losses incurred under his strategy. She sold at the very bottom of the market, he says.

Ms Kropp's decision appears to have been based largely on the impracticality of running such a vast derivatives book.

According to one person familiar with the new MG hedging strategy, rolling over the short-term hedges was causing losses (real, not paper) of $50m a month: MG comprised such a large part of the market that nothing it did was invisible.

As it lumbered forward, it was prey to other traders. "The position was self-defeating. With such a large position, you become the market. The whole market was watching."

The right answer? Who knows. MG is not about to reveal details of its remaining positions, or the cost of the partial liquidation.

There is one clear lesson from all of this, though: hedging strategies that look fine on paper often don't work in practice, particularly when they involve handling large volumes in thinly-traded markets.

Richard Waters

PUBLIC NOTICES

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 11 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 11 / Frs.)

[illegible]

DENMARK (Mar 11 / Kr)

[illegible]

FINLAND (Mar 11 / Mkk)

[illegible]

FRANCE (Mar 11 / Frs.)

[illegible]

GERMANY (Mar 11 / Dm.)

[illegible]

ITALY (Mar 11 / Lire)

[illegible]

NETHERLANDS (Mar 11 / Fls.)

[illegible]

NORWAY (Mar 11 / Kroner)

[illegible]

SPAIN (Mar 11 / Pta.)

[illegible]

SWEDEN (Mar 11 / Kroner)

[illegible]

SWITZERLAND (Mar 11 / Frs.)

[illegible]

PACIFIC

JAPAN (Mar 11 / Yen)

[illegible]

HONG KONG (Mar 11 / H.K.$)

[illegible]

MALAYSIA (Mar 11 / MYR)

[illegible]

SINGAPORE (Mar 11 / S$)

[illegible]

AUSTRALIA (Mar 11 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Mar 11 / Can $) 4 pm close

[illegible]

MONTREAL (Mar 11 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Mar 11 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ **TOKYO - MOST ACTIVE STOCKS: Friday, March 11, 1994**

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	12.2m	345		Nissan Motor	7.8m	900	-1
Nitsuko	11.2m	1,620	-30	NKK	7.2m	252	+1
Kawasaki Steel	9.8m	355	-3	Mitsubishi Hvy	6.8m	709	+1
Toshiba	9.2m	780	+10	Sanyo Electric	6.8m	497	+13
Japan Energy	8.1m	438	+18	Hitachi	6.3m	930	+3

INDICES

	Mar 11	Mar 10	Mar 9	1993/4 High	1993/4 Low
Argentina					
General (29/12/77)	20543.29	20784.44	21279.2	25470.40 16/2/94	12167.66 8/3/93
Australia					
All Ordinaries(1/1/80)	2153.1	2155.1	2146.8	2340.60 3/2/94	1495.00 13/1/93
All Mining(1/1/80)	1018.1	1003.6	986.2	1138.10 3/2/94	584.70 13/1/93
Austria					
Credit Aktien(30/12/84)	444.28	445.04	443.42	460.66 2/2/94	308.26 14/1/93
Traded Index(2/1/91)	1152.43	1157.21	1153.14	1222.25 1/2/94	712.08 15/1/93
Belgium					
BEL20 (1/1/91)	1510.41	1515.68	1512.61	1542.65 9/2/94	1125.46 4/1/93
Brazil					
Bovespa (29/12/83)	12687.0	12699.0	12602.0	12687.00 11/3/94	71.47 4/1/93
Canada					
Metals Minls♦(1975)	3655.00	3666.19	3681.07	3824.93 1/2/94	2743.31 21/1/93
Composite♦ (1975)	4446.90	4443.20	4444.45	4591.30 1/2/94	3275.80 21/1/93
Portfolio§§ (4/1/83)	2101.58	2098.41	2107.33	2182.89 1/2/94	1720.87 21/1/93
Chile					
IPGA Gen (31/12/80)	4444.7	4462.5	4420.2	4867.80 4/2/94	2812.59 10/5/93
Denmark					
CopenhagenSE(3/1/83)	397.51	401.02	401.19	415.79 2/2/94	281.90 4/1/93
Finland					
HEX General(28/12/90)	1879.4	1913.3	1921.0	1972.00 4/2/94	843.10 22/1/93
France					
SBF 250 (31/12/90)	1472.43	1483.52	1490.18	1585.20 2/2/94	1114.19 28/1/93
CAC 40(31/12/87)	2174.91	2184.58	2199.64	2355.93 2/2/94	1772.21 29/1/93
Germany					
FAZ Aktien(31/12/58)	806.33	816.78	813.32	865.67 4/1/94	588.92 14/1/93
Commerzbank(1/12/53)	2301.70	2336.40	2321.50	2458.00 4/1/94	1684.30 14/1/93
DAX (30/12/87)‡	2103.49	2141.10	2116.09	2267.88 3/1/94	1516.50 13/1/93
Greece					
Athens SE(31/12/80)	1074.53	1070.20	1068.41	1194.58 18/1/94	687.72 5/1/93
Hong Kong					
Hang Seng(31/7/64)	9905.66	10129.05	10224.38	12201.09 4/1/94	5437.80 4/1/93
India					
BSE Sens.(1979)	3747.2	(c)	3807.7	4287.90 28/2/94	2100.67 23/4/93
Indonesia					
Jakarta Comp.(10/8/82)	(c)	514.31	514.57	612.89 5/1/94	273.31 5/1/93
Ireland					
ISEQ Overall(4/1/88)	1910.89	1927.56	1921.19	2082.16 20/1/94	1181.19 11/1/93
Italy					
Banca Comm Ital (1972)	665.36	663.74	662.89	698.03 18/2/94	446.33 6/1/93
MIB General (4/1/93)	1064.0	1061.0	1050.0	1102.00 18/2/94	944.00 10/1/94
Japan					
Nikkei 225 (16/5/49)	20115.31	20090.71	19939.18	21148.11 13/9/93	16078.71 29/11/93
Nikkei 300 (1/10/82)	298.42	298.27	295.80	308.84 10/11/93	249.64 29/11/93
Topix (4/1/68)	1619.90	1616.51	1605.49	1698.67 3/9/93	1250.06 25/1/93
2nd Section (4/1/68)	2194.33	2186.63	2179.10	2384.97 7/6/93	1651.72 26/1/93
Malaysia					
KLSE Comp.(4/4/86)	1046.48	1046.00	1056.43	1314.46 5/1/94	614.28 13/1/93
Mexico					
IPC (Nov 1978)	2510.93	2506.14†	2533.08	2881.17 8/2/94	1504.18 25/2/93
Netherland					
CBS TtlRtnGen(End 83)	431.9	436.4	434.6	454.90 31/1/94	295.70 4/1/93
CBS All Shr (End 83)	279.9	282.8	281.6	294.80 31/1/94	198.60 13/1/93
New Zealand					
Cap. 40 (1/7/86)	2215.34	2228.74	2206.20	2439.84 3/2/94	22.00 22/2/94
Norway					
Oslo SE Ind(2/1/83)	1155.45	1174.20	1162.24	1211.10 28/2/94	668.93 27/1/93
Philippines					
Manila Comp (2/1/85)	2568.73	2552.84†	2507.33	3308.37 4/1/94	1270.88 4/1/93
Portugal					
BTA (1977)	3102.60	3109.10	3120.2	3226.60 18/2/94	1608.20 14/1/93
Singapore					
SES All-S'pore(2/4/75)	571.98	575.52	581.22	641.81 4/1/94	394.10 13/1/93
South Africa					
JSE Gold (28/9/78)	1933.0♥	1898.0	1865.0	2331.00 4/1/94	776.00 5/1/93
JSE Indl. (28/9/78)	5962.0♥	6018.0	5979.0	6018.00 10/3/94	4333.00 19/4/93
South Korea					
KoreaCmpEx(4/1/80)**	901.87	878.58	877.85	974.26 2/2/94	605.93 6/3/93
Spain					
Madrid SE (30/12/85)	333.38	335.71	336.20	358.31 31/1/94	215.60 4/1/93
Sweden					
AffarsvarldnGen (1/2/37)	1501.60	1524.30	1529.70	1603.90 31/1/94	879.18 28/1/93
Switzerland					
Swiss Bk Ind (31/12/58)	1333.56	1348.14	1336.70	1423.34 31/1/94	904.80 11/1/93
SBC General (1/4/87)	994.27	1008.84	1001.89	1083.29 31/1/94	678.78 11/1/93
Taiwan					
WeightedPr.(30/6/66)**	5327.57	5386.03	5466.69	6484.52 6/1/94	3088.43 9/1/93
Thailand					
Bangkok SET (30/4/75)	1319.41	1332.39	1358.56	1753.73 4/1/94	818.84 1/6/93
Turkey					
Istanbul Cmp.(Jan 1986)	14509.3	13731.3	13705.3	20883.60 13/1/94	3965.53 1/1/93
WORLD					
MS Capital Int (1/1/70)$	619.0*	619.7	618.7	641.08 1/2/94	485.60 13/1/93
CROSS-BORDER					
Eurotrack 100(26/10/90)	1431.65	1445.28	1445.47	1540.39 31/1/94	1083.02 13/1/93
Euro Top-100 (26/6/90)	1229.49	1242.72	1241.31	1311.01 2/2/94	882.73 13/1/93
JCapalDrgns (31/12/88)	(u)	328.23	329.81	355.19 5/1/94	188.92 4/1/93
Barings Emerg.(7/1/92)	164.24	165.03	165.61	182.72 14/2/94	99.81 4/2/93

■ **CAC-40 STOCK INDEX FUTURES (MATIF)**

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2188.0	2181.0	-17.0	2195.0	2174.0	23,888	47,555
Apr	2199.5	2191.5	-17.0	2205.0	2187.0	1,915	2,944
May	2203.5	2195.5	-17.0	2203.5	2194.0	314	5,297

Open interest figures for previous day

** Sat Mar 5 : Taiwan Weighted Price 5871.48, Korea Comp Ex 902.77. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index. Mar 11 - 2101.69 -22.60

US INDICES

Dow Jones	Mar 11	Mar 10	Mar 9	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3862.70	3830.62	3853.41	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	102.31	102.52	102.75	109.77 (18/10/93)	102.31 (11/3/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1721.04	1724.79	1743.33	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	209.79	208.15	210.39	256.46 (31/8/93)	207.29 (24/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3872.83 (3865.51) Low 3806.89 (3801.63) (Theoretical♦)
Day's high 3882.70 (3858.51) Low 3815.70 (3814.86) (Actual♦)

Standard and Poors	Mar 11	Mar 10	Mar 9	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	468.44	463.90	467.06	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.50	545.05	548.72	569.59 (2/2/94)	499.48 (26/4/93)	569.59 (2/2/94)	3.62 (21/6/32)
Financial	43.23	42.62	42.50	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.53	257.22	258.78	267.71 (2/2/94)	238.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	465.98	464.78	466.79	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	788.20	789.09	793.05	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ **RATIOS**

	Mar 4	Feb 25	Feb 18	Year ago
Dow Jones Ind. Div. Yield	2.62	2.62	2.59	2.99
	Mar 9	Mar 2	Feb 23	Year ago
S & P Ind. Div. yield	2.37	2.39	2.36	2.48
S & P Ind. P/E ratio	24.53	24.34	28.09	26.18

■ **STANDARD AND POORS 500 INDEX FUTURES** $500 times Index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	464.25	466.15	+2.25	467.00	462.30	34,871	98,446
Jun	464.85	467.40	+2.25	468.25	463.60	89,264	114,676
Sep	466.00	469.45	+2.30	470.15	465.80	38	3,422

Open interest figures are for previous day.

■ **NEW YORK ACTIVE STOCKS**

Friday	Stocks traded	Close price	Change on day
Hanson	25,777,700	20¾	+⅛
Adv Micro	10,888,100	28⅛	-⅜
Telefonos	5,942,700	65	-⅜
Unisys	5,405,700	15¾	+1¼
Mer Lynch	2,564,700	43¼	+2⅝
Grumman	2,537,800	64¾	+3
Am T & T	2,388,000	50⅝	-½
Bay Apt	2,359,000	20⅝	–
Nat Semi	2,282,600	22⅞	-⅛
Citicorp	2,270,500	39⅞	+1⅛

■ **TRADING ACTIVITY**

● Volume (million)	Mar 11	Mar 10	Mar 9
New York SE	303.211	333.480	309.802
Amex	16.523	18.249	23.057
NASDAQ	(u)	326.793	316.898
NYSE			
Issues Traded	2,746	2,779	2,798
Rises	1,114	705	1,006
Falls	954	1,474	1,109
Unchanged	678	600	651
New Highs	43	47	68
New Lows	100	113	86

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¶) - 0001 to 1100 hours; (‡) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
T.U. Fund Managers Limited (1200)H						
ALA Tower, Addiscombe Road, Croydon 081-686 4355						
T.U. British	5	341.0	348.4	364.8	2.48	[illegible]
T.U. European	[illegible]	53.53	53.96	56.43	2.00	[illegible]
Templeton Unit Trust Managers Ltd (1200)F						
20 Castle Terrace, Edinburgh EH1 2EH 031-469 4000						
Global Growth Acc	6	224.07	223.35	241.82	1.41	[illegible]
Global Growth Inc	6	204.11	204.40	218.97	1.41	[illegible]
Global Balanced Acc	6	[illegible]	200.09	213.90	2.64	[illegible]
Global Balanced Inc	6	174.50	174.77	[illegible]	2.64	[illegible]
Value Tst Acc	6	[illegible]	[illegible]	[illegible]	1.44	[illegible]
Value Tst Inc	6	123.50	124.10	132.72	1.44	[illegible]
Thornton Unit Managers Ltd (1200)F						
33 Queen Street, London EC4R 1AX 071-248 3000						
Dealing 071-248 3001						
American Smlr Cos	5	68.95	68.95	73.54	0.00	[illegible]
(Accum Units)	5	71.12	71.12	[illegible]	0.00	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

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S-E-Banken Life Assurance Co Ltd

Save & Prosper Group (z)

Scottish Amicable

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Tunbridge Wells Equitable - Contd.

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Foreign & Colonial Mngmt (Jersey) Ltd

Commercial Union Luxembourg SA - Contd.

Midland International Circuit Fund SICAV(a)

Credit Suisse - Contd.

SCI/TECH SA

Credit Suisse

International Fund Administration Ltd

Putnam Embassy Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6995	-0.1389	898 - 091	17.8545	17.6785	17.6957	0.3	17.6901	0.2	-	-	114.2
Belgium	(BFr)	52.0166	-0.2356	842 - 489	52.2846	51.8671	52.0616	-1.0	52.1566	-1.1	52.4266	-0.8	114.7
Denmark	(DKr)	9.8460	-0.0515	401 - 519	9.8950	9.8135	9.8549	-1.1	9.8696	-1.0	9.9044	-0.6	115.2
Finland	(FM)	8.2271	-0.0435	168 - 373	8.2770	8.2050	-	-	-	-	-	-	81.5
France	(FFr)	8.5774	-0.0545	727 - 821	8.6265	8.5510	8.5868	-1.3	8.6039	-1.2	8.6322	-0.6	108.8
Germany	(DM)	2.5210	-0.0154	196 - 223	2.5385	2.5120	2.523	-1.0	2.5263	-0.8	2.5285	-0.3	123.4
Greece	(Dr)	367.136	-1.332	638 - 634	368.705	366.130	-	-	-	-	-	-	-
Ireland	(I£)	1.0408	-0.0015	397 - 418	1.0431	1.0371	1.0417	-1.0	1.0436	-1.1	1.0504	-0.9	102.7
Italy	(L)	2497.96	-12.61	602 - 994	2506.95	2488.15	2504.88	-3.3	2518.93	-3.4	2571.73	-3.0	75.5
Luxembourg	(LFr)	52.0166	-0.2356	842 - 489	52.2846	51.8671	52.0616	-1.0	52.1566	-1.1	52.4266	-0.8	114.7
Netherlands	(Fl)	2.8334	-0.0148	317 - 351	2.8478	2.8231	2.8341	-0.3	2.8349	-0.2	2.8318	0.1	118.4
Norway	(NKr)	10.9428	-0.0545	365 - 491	11.0118	10.9070	10.9372	0.6	10.9497	-0.3	10.9408	0.0	84.9
Portugal	(Es)	260.308	-1.584	146 - 470	262.687	258.820	261.283	-4.5	263.228	-4.5	-	-	-
Spain	(Pta)	207.345	-1.627	201 - 489	208.570	206.805	207.955	-3.5	209.09	-3.4	213.41	-2.9	85.0
Sweden	(SKr)	11.7670	-0.1006	574 - 765	11.8685	11.7375	11.787	-2.0	11.8225	-1.9	11.9315	-1.4	76.6
Switzerland	(SFr)	2.1291	-0.0061	276 - 305	2.1380	2.1188	2.1274	0.9	2.1238	1.0	2.1031	1.2	118.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.7
Ecu	-	1.3058	-0.0067	048 - 067	1.3116	1.3025	1.3072	-1.2	1.3098	-1.2	1.3158	-0.8	-
SDR†	-	0.934185	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5023	+0.008	017 - 028	1.5028	1.4945	-	-	-	-	-	-	-
Brazil	(Cr)	1099.98	+17.56	960 - 035	1100.50	1078.00	-	-	-	-	-	-	-
Canada	(C$)	2.0448	+0.0061	438 - 459	2.0475	2.0290	2.0422	1.5	2.0391	1.1	2.0371	0.4	88.4
Mexico	(New Peso)	4.9508	+0.0333	416 - 599	4.9610	4.9210	-	-	-	-	-	-	-
USA	($)	1.5025	+0.001	020 - 030	1.5040	1.4957	1.5005	1.6	1.4979	1.2	1.4932	0.6	65.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1143	+0.0032	128 - 157	2.1262	2.1060	2.1128	0.9	2.1104	0.7	2.1085	0.3	-
Hong Kong	(HK$)	11.6076	+0.0082	030 - 122	11.6190	11.5580	11.5946	1.3	11.5892	0.6	11.5401	0.6	-
India	(Rs)	47.1336	+0.0314	140 - 529	47.1770	46.9240	-	-	-	-	-	-	-
Japan	(Y)	157.951	-0.751	860 - 041	158.990	157.230	157.586	2.8	156.861	2.8	153.501	2.8	184.7
Malaysia	(M$)	4.0883	+0.0027	854 - 912	4.0913	4.0698	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6233	-0.0001	208 - 258	2.6333	2.6126	2.6262	-1.3	2.6305	-1.1	2.6391	-0.6	-
Philippines	(Peso)	41.3940	-0.0475	548 - 331	41.6805	40.8236	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6341	+0.0039	314 - 367	5.6397	5.6093	-	-	-	-	-	-	-
Singapore	(S$)	2.3800	-0.0026	784 - 815	2.3827	2.3699	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1551	-0.0116	519 - 583	5.1710	5.1250	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8289	+0.1021	191 - 387	6.9924	6.7545	-	-	-	-	-	-	-
South Korea	(Won)	1211.09	-0.47	061 - 157	1212.35	1205.68	-	-	-	-	-	-	-
Taiwan	(T$)	39.6284	-0.0187	077 - 491	39.7400	39.4600	-	-	-	-	-	-	-
Thailand	(Bt)	37.9983	+0.0108	706 - 259	38.0260	37.8410	-	-	-	-	-	-	-

†SDR rate for Mar 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.7800	-0.1	775 - 825	11.8560	11.7755	11.8002	-2.1	11.8275	-1.6	11.853	-0.6	103.2
Belgium	(BFr)	34.6200	-0.18	100 - 300	34.8100	34.5550	34.695	-2.6	34.825	-2.4	35.13	-1.5	104.2
Denmark	(DKr)	6.5531	-0.0387	513 - 548	6.5921	6.5375	6.5681	-2.7	6.5891	-2.2	6.6356	-1.3	103.9
Finland	(FM)	5.4756	-0.0329	706 - 806	5.5092	5.4648	5.4808	-1.2	5.4888	-1.0	5.5058	-0.5	75.4
France	(FFr)	5.7088	-0.0401	075 - 100	5.7375	5.6850	5.723	-3.0	5.744	-2.5	5.7831	-1.3	104.9
Germany	(D)	1.6779	-0.0114	775 - 782	1.6890	1.6730	1.6816	-2.6	1.6866	-2.1	1.6935	-0.9	104.8
Greece	(Dr)	244.350	-1.05	100 - 600	245.190	243.900	248	-17.9	254.85	-17.2	283.35	-16.0	71.3
Ireland	(I£)	1.4437	+0.0031	427 - 447	1.4476	1.4366	1.4404	2.7	1.4353	2.3	1.4202	1.6	-
Italy	(L)	1662.55	-9.5	180 - 330	1668.25	1658.00	1669.55	-5.1	1681.55	-4.6	1721.55	-3.5	76.1
Luxembourg	(LFr)	34.6200	-0.18	100 - 300	34.8100	34.5550	34.695	-2.6	34.825	-2.4	35.13	-1.5	104.2
Netherlands	(Fl)	1.8858	-0.011	853 - 863	1.8950	1.8804	1.8888	-1.9	1.8926	-1.4	1.897	-0.6	103.7
Norway	(NKr)	7.2831	-0.0411	813 - 848	7.3285	7.2628	7.2914	-1.4	7.3041	-1.2	7.3108	-0.4	95.0
Portugal	(Es)	173.250	-1.15	200 - 300	174.850	172.500	174.19	-6.5	175.85	-6.0	181.1	-4.5	92.8
Spain	(Pta)	138.000	-1.175	950 - 050	138.820	137.700	138.6	-5.2	139.595	-4.6	143	-3.6	80.0
Sweden	(SKr)	7.8318	-0.0722	278 - 353	7.9047	7.8115	7.8559	-3.7	7.8931	-3.1	7.9941	-2.1	81.5
Switzerland	(SFr)	1.4170	-0.005	165 - 175	1.4230	1.4115	1.4177	-0.6	1.4177	-0.2	1.4095	0.5	105.1
UK	(£)	1.5025	+0.001	020 - 030	1.5040	1.4957	1.5005	1.6	1.4979	1.2	1.4932	0.6	89.7
Ecu	-	1.1507	+0.0066	502 - 511	1.1528	1.1445	1.1478	3.0	1.1433	2.6	1.1326	1.6	-
SDR†	-	1.40081	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9989	+0.0013	998 - 999	0.9990	0.9987	-	-	-	-	-	-	-
Brazil	(Cr)	732.095	+11.205	090 - 100	732.110	732.080	-	-	-	-	-	-	-
Canada	(C$)	1.3609	+0.0031	606 - 612	1.3615	1.3555	1.3611	-0.2	1.3618	-0.3	1.3673	-0.5	85.2
Mexico	(New Peso)	3.2950	+0.02	900 - 000	3.3000	3.2885	3.2966	-0.6	3.2994	-0.5	3.31	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.8
Pacific/Middle East/Africa													
Australia	(A$)	1.4072	+0.0012	067 - 077	1.4150	1.4053	1.4082	-0.9	1.4111	-1.1	1.4186	-0.8	87.1
Hong Kong	(HK$)	7.7255	-0.001	250 - 260	7.7273	7.7250	7.7262	-0.1	7.7302	-0.2	7.749	-0.3	-
India	(Rs)	31.3700	-	675 - 725	31.3750	31.3650	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	105.125	-0.57	100 - 150	105.900	104.730	105.03	1.1	104.72	1.5	102.795	2.2	145.2
Malaysia	(M$)	2.7210	-	200 - 220	2.7220	2.7195	2.715	2.6	2.6985	3.3	2.771	-1.8	-
New Zealand	(NZ$)	1.7460	-0.0012	449 - 470	1.7525	1.7445	1.7476	-1.1	1.7521	-1.4	1.7663	-1.2	-
Philippines	(Peso)	27.5500	-0.05	000 - 000	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7498	+0.0001	493 - 503	3.7510	3.7490	3.7522	-0.8	3.7565	-0.7	3.7753	-0.7	-
Singapore	(S$)	1.5840	-0.0028	835 - 845	1.5855	1.5830	1.584	0.0	1.584	0.0	1.6075	-1.5	-
S Africa (Com.)	(R)	3.4310	-0.01	300 - 320	3.4400	3.4120	3.4453	-5.0	3.4743	-5.0	3.5715	-4.1	-
S Africa (Fin.)	(R)	4.5450	+0.065	400 - 500	4.6700	4.5000	4.576	-8.2	4.64	-8.4	-	-	-
South Korea	(Won)	806.050	-0.85	000 - 100	806.800	805.900	809.05	-4.5	812.55	-3.2	831.05	-3.1	-
Taiwan	(T$)	26.3750	-0.03	700 - 800	26.4600	26.3700	26.4775	-4.7	26.625	-3.8	-	-	-
Thailand	(Bt)	25.2900	-0.01	800 - 000	25.3000	25.2500	25.36	-3.3	25.5	-3.3	25.64	-1.4	-

†SDR rate for Mar 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 10. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.93	16.49	4.846	2.001	4802	5.446	21.08	500.4	398.5	22.63	4.093	1.922	3.931	2.889	303.7	2.511
Denmark	(DKr)	52.83	10	8.711	2.560	1.057	2537	2.877	11.11	264.4	210.5	11.95	2.162	1.016	2.077	1.527	160.5	1.326
France	(FFr)	60.65	11.48	10	2.939	1.214	2912	3.303	12.76	303.5	241.7	13.72	2.482	1.166	2.384	1.752	184.2	1.523
Germany	(DM)	20.63	3.906	3.402	1	0.413	990.9	1.124	4.340	103.3	82.23	4.669	0.845	0.397	0.811	0.596	62.67	0.518
Ireland	(I£)	49.97	9.458	8.239	2.422	1	2400	2.721	10.51	250.0	199.1	11.31	2.045	0.961	1.964	1.444	151.8	1.255
Italy	(L)	2.082	0.394	0.343	0.101	0.042	100.	0.113	0.438	10.42	8.298	0.471	0.085	0.040	0.082	0.060	6.325	0.052
Netherlands	(Fl)	18.36	3.475	3.028	0.890	0.367	881.8	1	3.862	91.88	73.17	4.155	0.752	0.353	0.722	0.531	55.77	0.461
Norway	(NKr)	47.55	9.000	7.840	2.304	0.952	2283	2.590	10	237.9	189.5	10.76	1.946	0.914	1.869	1.374	144.4	1.194
Portugal	(Es)	19.98	3.783	3.295	0.968	0.400	959.7	1.088	4.203	100.	79.64	4.522	0.818	0.384	0.786	0.577	60.70	0.502
Spain	(Pta)	25.08	4.750	4.137	1.216	0.502	1205	1.367	5.277	125.6	100.	5.678	1.027	0.482	0.986	0.725	76.22	0.630
Sweden	(SKr)	44.20	8.365	7.287	2.142	0.884	2122	2.407	9.296	221.2	176.1	10	1.809	0.850	1.737	1.277	134.2	1.110
Switzerland	(SFr)	24.43	4.625	4.029	1.184	0.489	1173	1.331	5.139	122.3	97.37	5.528	1	0.470	0.961	0.706	74.21	0.613
UK	(£)	52.02	9.846	8.577	2.521	1.041	2498	2.833	10.94	260.3	207.3	11.77	2.129	1	2.045	1.503	158.0	1.306
Canada	(C$)	25.44	4.815	4.194	1.233	0.509	1222	1.385	5.350	127.3	101.4	5.756	1.041	0.489	1	0.735	77.26	0.639
US	($)	34.61	6.551	5.707	1.677	0.693	1662	1.885	7.279	173.2	137.9	7.831	1.417	0.665	1.361	1	105.1	0.869
Japan	(Y)	329.2	62.32	54.28	15.96	6.589	15810	17.93	69.24	1647	1312	74.49	13.47	6.329	12.94	9.513	1000.	8.266
Ecu		39.83	7.539	6.567	1.930	0.797	1913	2.169	8.377	199.3	158.7	9.012	1.630	0.766	1.566	1.151	121.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.5953	0.5938	-0.0018	0.5977	0.5933	17,874	61,616
Jun	0.5913	0.5908	-0.0018	0.5946	0.5898	89,184	77,328
Sep	0.5890	0.5890	-0.0018	0.5925	0.5887	271	2,704

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7074	0.7030	-0.0044	0.7083	0.7022	4,924	28,220
Jun	0.7058	0.7026	-0.0044	0.7078	0.7018	34,948	34,411
Sep	0.7075	0.7035	-0.0045	0.7080	0.7030	120	183

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.9505	0.9517	+0.0009	0.9540	0.9500	15,388	53,100
Jun	0.9543	0.9554	+0.0008	0.9583	0.9532	36,899	42,432
Sep	0.9623	0.9605	+0.0007	0.9623	0.9600	66	1,226

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.4982	1.5002	-0.0082	1.5050	1.4968	2,704	22,183
Jun	1.4988	1.4954	-0.0036	1.5002	1.4910	25,755	28,792
Sep	-	1.4926	-0.0036	1.4966	1.4900	97	620
Dec	-	1.4910	-0.0036	1.4960	1.4890	3	30

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.400	9.79	9.62	9.57	0.02	-	0.06
1.425	7.34	7.24	7.33	0.02	0.04	0.27
1.450	4.85	4.96	5.25	0.02	0.24	0.67
1.475	2.40	2.97	3.46	0.02	0.75	1.37
1.500	0.08	1.53	2.12	0.09	1.75	2.47
1.525	-	0.66	1.18	2.45	3.31	3.96

Previous day's vol., Calls 45,187 Puts 17,732. Prev. day's open int., Calls 639,926 Puts 585,804

UK INTEREST RATES

LONDON MONEY RATES

Mar 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 3¾	5 - 4¾	5⅛ - 5	5⅛ - 5	5⅛ - 5	5 3/16 - 5 1/16
Sterling CDs	-	-	5 3/32 - 5 1/32	5 3/32 - 5 1/32	5 1/16 - 5	5 3/32 - 5 3/32
Treasury Bills	-	-	4⅞ - 4 13/16	4¾ - 4 11/16	-	-
Bank Bills	-	-	4⅞ - 4 13/16	4⅞ - 4 27/32	4⅞ - 4 27/32	-
Local authority deps.	5 5/16 - 5 3/16	5 1/16 - 5 3/16	5⅛ - 5	5⅛ - 5	5⅛ - 5	5¼ - 5⅛
Discount market deps.	5½ - 4¼	4 15/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 4.7881pc. ECGD fixed rate Stg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.285pc. Finance House Base Rate 5½pc from Mar 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 11	Mar 4		Mar 11	Mar 4
Bills on offer	£200m	£200m	Top accepted rate	4.8132%	4.8132%
Total of applications	£709m	£869m	Ave. rate of discount	4.7881%	4.7761%
Total allocated	£200m	£200m	Average yield	4.8459%	4.8337%
Min. accepted bid	£98.800	£98.800	Offer at next tender	£200m	£200m
Allotment at min. level	30%	62%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 21 in today's edition.

■ Pound in New York

Mar 11	Close	Prev. close
£ spot	1.5000	1.5035
1 mth	1.4979	1.5015
3 mth	1.4952	1.4988
1 yr	1.4888	1.4935

FIXED INTEREST RATES

MONEY RATES

March 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6¼	6¼	6⅛	6⅛	7.40	5.00	-
week ago	-	6¼	6¼	6¼	6⅛	7.40	5.00	-
France	6⅛	6¼	6¼	6⅛	5⅞	6.10	-	7.75
week ago	6¼	6¼	6¼	6¼	6	6.10	-	7.75
Germany	5.95	6.00	5.85	5.65	5.43	6.75	5.25	5.94
week ago	6.00	6.00	5.88	5.72	5.52	6.75	5.25	5.97
Ireland	6⅛	6⅛	6¼	6¼	6¼	-	-	6.75
week ago	6⅛	6⅛	6¼	6¼	6¼	-	-	6.75
Italy	8⅛	8⅛	8⅛	8⅛	8⅛	-	8.00	8.92
week ago	8½	8⅛	8¼	8⅛	8⅛	-	8.00	8.92
Netherlands	5.53	5.49	5.30	5.21	5.18	-	5.25	-
week ago	5.59	5.49	5.31	5.24	5.18	-	5.25	-
Switzerland	4	4⅛	4⅛	4⅛	3⅞	6.625	4.00	-
week ago	4⅛	4⅛	4⅛	4⅛	4	6.625	4.00	-
US	3¼	3⅜	3¾	4⅛	4⅜	-	3.00	-
week ago	3⅜	3⅜	3⅝	4⅛	4½	-	3.00	-
Japan	2⅛	2¼	2¼	2¼	2⅛	-	1.75	-
week ago	2⅛	2¼	2¼	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3⅝	3¾	4⅛	4⅝	-	-	-
week ago	-	3⅝	3⅞	4⅛	4½	-	-	-
US Dollar CDs	-	3.46	3.70	4.00	4.43	-	-	-
week ago	-	3.46	3.68	3.95	4.34	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	4	-	-	-
week ago	-	3⅞	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6⅛; 1 year: 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6¼ - 6⅛	6¼ - 6⅛	6 3/16 - 6 1/16	6 3/16 - 6 1/16	6⅛ - 6	6⅛ - 6
Danish Krone	5¾ - 5⅝	6⅛ - 5¾	6⅛ - 5⅞	6⅛ - 5⅞	6 - 5¾	5⅞ - 5⅝
D-Mark	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16	5⅞ - 5¾	5 11/16 - 5 9/16	5 9/16 - 5 7/16
Dutch Guilder	5⅝ - 5½	5 9/16 - 5 7/16	5½ - 5⅜	5 7/16 - 5 5/16	5¼ - 5⅛	5 3/16 - 5 1/16
French Franc	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6¼ - 6⅛	6 1/16 - 5 15/16	5 15/16 - 5 13/16
Portuguese Esc.	9¼ - 9	10 - 9¾	9 13/16 - 9 11/16	9½ - 9⅜	9 5/16 - 9⅛	9¼ - 8¾
Spanish Peseta	8 5/16 - 8⅛	8⅜ - 8⅛	8 5/16 - 8⅛	8¼ - 8 1/16	8¼ - 8 1/16	8¼ - 8 1/16
Sterling	5⅝ - 5⅜	5 5/16 - 5 3/16	5¼ - 5⅛	5⅛ - 5 1/16	5 3/16 - 5 1/16	5 5/16 - 5 3/16
Swiss Franc	4¼ - 4	4¼ - 4	4⅛ - 4	4 1/16 - 3 15/16	3 15/16 - 3 13/16	3 15/16 - 3 13/16
Can. Dollar	3⅝ - 3⅜	3¾ - 3½	3¾ - 3⅝	4 1/16 - 3 15/16	4½ - 4⅜	5 1/16 - 4 15/16
US Dollar	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3⅝ - 3½	3 15/16 - 3 13/16	4 5/16 - 4 3/16	4⅝ - 4½
Italian Lira	9 - 7½	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7¾	7½ - 7⅛
Yen	2¼ - 2 1/16	2¼ - 2 1/16	2½ - 2 7/16	2 5/16 - 2¼	2 5/16 - 2¼	2⅜ - 2 3/16
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.12	96.13	+0.01	96.14	96.11	55,974	295,656
Jun	95.61	95.66	+0.04	95.67	95.60	125,376	443,373
Sep	95.22	95.29	+0.05	95.30	95.18	85,721	368,042

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.08	96.10	+0.04	96.11	96.06	3,736	30,303
Sep	-	95.77	+0.06	95.77	95.74	438	6,062
Dec	-	95.43	+0.07	95.43	95.36	6	2,931

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday March 9, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,071,376,525	+3,858,161
Bankers deposits	1,553,833,655	-10,350,877
Reserve and other accounts	3,750,383,930	-1,860,522,989
	6,390,147,110	-1,867,015,705
Assets		
Government securities	1,002,257,429	-3,780,000
Advance and other accounts	4,916,096,783	-1,866,799,377
Premise, equipment and other secs	464,006,406	+453,313
Notes	7,569,324	+3,103,757
Coin	217,168	+6,602
	6,390,147,110	-1,867,015,705
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,252,430,676	+46,896,243
Notes in Banking Department	7,569,324	+3,103,757
	17,260,000,000	+50,000,000
Assets		
Government debt	11,015,100	
Other Government securities	7,474,151,860	+1,907,162,622
Other Securities	9,774,833,040	-1,857,162,622
	17,260,000,000	+50,000,000

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Fri Mar 11 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	Thu Mar 10 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	173.04	3.7	170.74	114.89	150.94	161.95	-1.0	3.34	173.63	171.44	116.00	152.48	162.36	189.15	130.19	138.23
Austria (17)	191.16	3.3	188.63	127.03	166.75	166.29	-0.1	0.93	190.10	187.71	127.01	166.95	166.77	195.41	139.63	146.80
Belgium (42)	170.76	5.0	168.50	113.47	148.96	145.79	0.5	3.92	170.55	168.40	113.95	149.78	146.37	170.76	141.92	145.17
Canada (107)	135.46	-0.2	133.68	90.03	118.18	133.51	2.5	2.52	135.82	134.11	90.75	119.28	133.54	145.31	121.46	123.71
Denmark (32)	270.78	9.5	267.19	179.93	236.20	241.33	5.6	0.96	271.69	268.27	181.52	238.60	243.58	275.79	195.66	201.91
Finland (22)	149.96	21.7	147.97	99.65	130.81	172.33	15.1	0.77	152.56	150.63	101.92	133.98	176.35	156.72	70.02	73.76
France (98)	177.03	0.6	174.68	117.64	154.42	158.53	-2.7	2.93	177.06	174.82	118.29	155.49	159.67	185.37	149.60	156.75
Germany (59)	134.84	-3.9	133.05	89.60	117.62	117.82	-7.1	1.76	136.31	134.60	91.07	119.71	119.71	142.38	107.59	114.29
Hong Kong (56)	404.47	-17.3	399.11	268.78	352.82	401.17	-17.4	2.82	413.09	407.89	275.99	362.79	409.77	506.56	233.64	255.53
Ireland (14)	191.15	3.2	188.62	127.02	166.74	186.56	0.7	3.20	192.65	190.22	128.71	169.19	188.43	209.33	140.98	144.45
Italy (68)	76.34	11.3	75.33	50.73	66.59	94.78	8.1	1.78	75.62	74.67	50.52	66.41	94.43	78.93	55.21	60.47
Japan (469)	154.36	18.6	152.33	102.58	134.66	102.58	11.7	0.79	153.29	151.36	102.42	134.63	102.42	165.91	114.51	114.93
Malaysia (69)	491.46	-16.9	484.95	326.58	428.71	515.03	-16.1	1.47	488.65	482.50	326.48	429.16	512.06	621.63	274.40	278.36
Mexico (18)	2167.10	-9.2	2138.37	1440.06	1890.34	7807.17	-3.7	0.65	2210.03	2182.18	1476.54	1940.88	7913.47	2647.06	1431.17	1547.88
Netherland (26)	201.68	1.3	199.01	134.02	175.93	173.58	-1.6	3.15	202.90	200.35	135.56	178.20	175.66	207.43	161.72	164.44
New Zealand (14)	68.54	0.9	67.64	45.55	59.79	63.55	-1.4	3.66	69.22	68.34	46.24	60.79	64.22	77.59	45.45	46.00
Norway (23)	198.74	10.6	196.10	132.06	173.36	196.46	7.1	1.64	201.67	199.13	134.74	177.11	200.49	208.42	148.19	148.57
Singapore (45)	320.92	-12.7	316.67	213.25	279.94	234.25	-14.0	1.75	323.04	318.96	215.83	283.71	238.22	378.92	213.57	219.78
South Africa (60)	264.85	-0.9	261.34	175.99	231.03	263.10	5.0	2.11	269.86	266.46	180.31	237.01	264.27	280.26	161.99	166.85
Spain (42)	146.14	4.9	144.20	97.11	127.47	152.78	1.3	3.63	145.90	144.06	97.48	128.13	153.83	155.79	116.33	127.41
Sweden (36)	220.18	12.1	217.26	146.31	192.07	255.27	5.3	1.52	220.57	217.80	147.37	193.72	258.08	230.02	154.79	162.91
Switzerland (49)	163.18	1.9	161.01	108.43	142.34	143.35	-2.8	1.57	164.45	162.38	109.87	144.42	144.98	176.66	112.27	114.30
United Kingdom (215)	197.26	-3.8	194.67	131.10	172.09	194.67	-5.3	3.75	199.76	197.26	133.48	175.45	197.26	214.96	168.46	170.81
USA (518)	189.71	-0.1	187.19	126.06	165.48	189.71	-0.1	2.78	188.64	186.27	126.03	165.67	188.64	196.04	176.91	185.25
EUROPE (745)	169.32	0.5	167.08	112.52	147.70	160.14	0.2	2.86	170.54	168.39	113.94	149.77	161.96	178.58	138.88	140.90
Nordic (113)	213.47	12.6	210.64	141.85	186.20	216.70	6.9	1.29	214.60	211.89	143.37	188.46	218.51	220.60	145.85	151.19
Pacific Basin (722)	163.76	12.9	161.59	108.82	142.85	113.35	7.2	1.07	163.04	160.99	108.93	143.19	113.37	168.60	119.11	120.28
Euro-Pacific (1467)	165.92	7.0	163.72	110.26	144.73	131.75	4.2	1.83	166.01	163.92	110.91	145.79	132.39	170.76	127.32	128.59
North America (625)	186.34	0.0	183.87	123.82	162.54	185.62	0.1	2.77	185.36	183.02	123.84	162.79	184.82	192.73	173.70	181.45
Europe Ex. UK (530)	150.72	2.1	148.72	100.15	131.47	139.33	4.0	2.32	151.30	149.39	101.09	132.88	140.74	155.73	120.02	122.25
Pacific Ex. Japan (253)	255.36	-10.9	251.97	169.69	222.75	234.54	-12.2	2.60	257.88	254.64	172.30	226.48	236.86	296.21	164.34	172.71
World Ex. US (1652)	167.36	6.4	165.14	111.21	145.99	135.05	4.0	1.84	167.55	165.44	111.94	147.16	135.72	172.51	128.45	129.70
World Ex. UK (1955)	171.50	4.7	169.23	113.97	149.60	147.96	3.4	2.01	171.02	168.87	114.26	150.20	147.93	175.58	144.13	146.20
World Ex. So. Af. (2110)	173.23	4.1	170.93	115.11	151.11	151.26	2.5	2.18	172.97	170.79	115.56	151.90	151.42	178.56	146.30	147.42
World Ex. Japan (1701)	186.02	-0.9	183.55	123.61	162.26	181.09	-0.8	2.75	186.21	183.87	124.41	163.54	181.49	195.20	163.82	166.05
The World Index (2170)	173.78	4.0	171.47	115.48	151.58	152.13	2.5	2.18	173.65	171.36	115.95	152.41	152.30	178.97	146.31	147.44

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

STOCK INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	●Mount Banking	6		
Crédit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	30.9	246	245	Abtrust N Dawn C	245	-1	-	-	-	-
140	F.P.	255.3	178	163	Alpha Airports	169½	-1½	RN4.03	2.2	3.0	19.4
-	F.P.	1.10	6½	1	§Care UK Wts	5		-	-	-	-
105	F.P.	33.1	118	101	Cedardata	108		RN1.91	2.9	2.2	17.7
150	F.P.	99.9	160	147	Chiroscience	147	-2	-	-	-	-
124	F.P.	23.2	186	142	Clinical Computing	143	-4	-	-	-	22.8
50	F.P.	134.4	50	47	Edin New Tiger	48	-½	-	-	-	-
130	F.P.	31.8	155	130	Finelist	146	-1	R3.3	2.3	2.8	19.0
-	F.P.	2.52	102½	98	Fleming Japan C	100¾	-½	-	-	-	-
170	F.P.	74.1	171	159	Goldsborough Hlth	169		WN3.3	2.6	2.4	18.5
183	F.P.	232.1	206	195	Graham Group	202½	-3	LN4.6	2.3	2.8	19.3
-	F.P.	63.3	74	68¾	Guangdong Dvlpt	69½		-	-	-	-
-	F.P.	8.03	29½	18½	Do Warrants	27½		-	-	-	-
100	F.P.	65.3	103	94	Herald Inv Tst	100½	-2	-	-	-	-
-	F.P.	6.50	53	45	Do Warrants	50	-2	-	-	-	-
-	F.P.	-	495	468	Mercury Euro Prvtn	468		-	-	-	-
50	F.P.	20.4	53	49	Mithras Inv Tst	51	-½	-	-	-	-
-	F.P.	2.08	28	25	Do Warrants	26		-	-	-	-
-	F.P.	5.24	200	196	Ptarmigan Int'l C	199		-	-	-	-
125	F.P.	18.4	133	120	Radstone Tech	120	-8	R3.0	2.4	3.1	15.2
100	F.P.	57.0	96	94	Saracen Value	95		-	-	-	-
-	F.P.	4.56	43	38	Do Warrants	38	-1	-	-	-	-
-	F.P.	578.7	506	493	Schroder UK Gwth	494	-1	-	-	-	-
200	F.P.	32.9	216	208	Trifast	208		R5.6	2.2	3.4	17.1
118	F.P.	54.8	140	129	Tring Intl	129	-1	RN3.8	2.1	3.7	15.3
153	F.P.	53.9	160	153	United Carriers	159		-	-	-	-

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	106p	105p	Creston Land 6pc Cv Ln	105p	
-	F.P.	14/3	284p	283p	GKN Units Cv Ln '94/99	283p	
-	F.P.	-	111p	109p	MAI 5.9pc Cv Prf	111p	
-	F.P.	-	103	102½	Ptarmigan Int'l 3¼pc Cv Bd	102½	

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
20	Nil	11/3	36pm	3pm	Beaufort	5pm	
92	Nil	11/4	14pm	11pm	Burford	12¼pm	
173	Nil	5/4	27pm	17pm	§Cap. & Regional	17pm	
4¼	Nil	14/4	6pm	3pm	Care UK	3pm	
42	Nil	14/4	18pm	4pm	Conrad Ritblat	4½pm	-½
15	Nil	25/3	4pm	3pm	Creston Land	3pm	
12	Nil	13/4	13pm	10pm	Firth (GM)	12½pm	
120	Nil	21/3	45pm	33pm	§Grosvenor Inns	35pm	-3
315	Nil	30/3	64pm	52pm	Wetherspoon JD	52pm	-2

pm Price at a premium.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl.		223¼	1.6	Q58%	1.6	Sep May	1.9	1087
ANZ A$		245¼	3.9	Q20c	0.7	Jan Jul	9.12	–
Abbey National	◆N□	491	0.2	14.0	2.1	May Oct	16.8	6411
Allied Irish I£	‡□	280xd	–1.1	Q52%	ф	Oct May	28.2	1334
Anglo Irish I£	MN□	69	___	Q17.9%	1.7	Jan Jul	29.11	1356
Asahi Y		710½	–1.3	Q16%	1.3	Jan Dec	12'92	3049
Banco Bil Viz Pta		£15¾	–1.9	Q27.3%	2.7	JyOcJaAp	13.7	–
Banco Sant Pta		934¼	___	Q38.1%	2.0	ApJyOcJa	30.10	–
Bank Leumi (UK)		400xd	___	20.0	ф	Apr Sep	28.2	1740
Bk Ireland I£	◆xd□	289	–1.9	Q18¾%	1.5	Jul Dec	15.11	1366
Bank Scotland	◆†□	186	–0.6	4.67	1.6	Dec Jul	18.10	1742
9¼pc Pf		139½	–1.1	9¼%	–	May Nov	18.10	1482
9¾pc Pf		137¼	–1.1	9¾%	–	May Nov	18.10	–
Barclays	N□	519	1.4	16.10	ф	Oct May	16.8	1754
Dai Ichi Kan Y		212¼	–3.5	Q16%	3.2	Jan Dec	27.9	2221
Deutsche DM		£315¼	2.2	Q30%	–	May	24.5	2245
Espirito Santo		122¾	–1.0	Q120c	6.2	Jun	4.6	6187
First Nat Fin	N□	82	___	1.5	–	Mar	17.1	2571
6.3pc Cv Pf		86	___	6.3%	–	Jul Jan	4.1	2570
7pc Cv Pf		161	___	7.0	–	Jul Jan	4.1	–
Fuji Bank Y		1427¼	–2.2	Q17%	2.3	Dec Jun	4.7	–
HSBC HK	□	885	–3.1	23.5	ф	Nov Jun	20.9	2769
HSBC (75p Stst	□	883	–3.1	23.5	ф	Nov Jun	20.9	2770
Lloyds	N□	584xd	–2.8	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y		£17⅞	–.4	Q17%	2.3	Jan Dec	12'92	6290
Mits Tst & Bk Y		981¼	–.4	Q16%	12.4	Jan Dec	12'92	4775
Mitsui Tst & Bk Y		753½	–1.3	Q17%	6.5	Jan Dec	12'92	6365
Nat Aust A$		869	0.9	Q58c	1.7	Jul Jan	9.6	–
NatWest	◆N□	467xd	–3.1	18.6	1.6	Oct May	28.2	3463
Oznamane FFr		£30¼	2.5	Q380%	2.3	May	12.5	–
Ryl Bk Scotland	◆N□	428	–.9	11.6	1.9	Feb Jul	13.12	3874
Sakura Y		93⅞	–13.1	Q17%	3.0	Dec Jun	12'92	3831
Sanwa Y	‡	213⅝	–.9	Q17%	2.7	Jan Dec	12'92	5166
Standard Chartd	◆N□	1113	–.2	24.0	3.5	Jan Oct	16.8	4094
7 3/8pc Prf		96½xd	–1.0	7.37	–	Apr	14.2	1719
Sumitomo Y		213⅝	–.4	Q17%	8.7	Jan Dec	12'92	3079
Sumitomo Tst Y		937	–1.1	Q17%	2.3	Jan Dec	12'92	4916
TSB	N□	229xd	–8.2	7.69	1.8	Apr Oct	14.2	4328
Tokai Y		£7⅛	–6.3	Q18%	2.8	Jun Dec	12'92	5359
Toyo Tst & Bk Y		674¼	–8.2	Q15½%	2.3	Jun Dec	30.6	–
Westpac A$		239	6.2	Q12c	ф	Jan Jul	21.12	–
Yasuda Tst Bk Y	‡	587¼	–6.0	Q15½%	2.3	Jan Dec	12'92	5347

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Northern Inv	‡	205	2.7	5.0	Jul Jan	9.87	13.12	2133
Olim Conv		96	1.1	8.9	Feb Aug	14.4	31.1	4586
Zero Pf		217	0.2	–	–	21.7	–	4987
Overseas Inv	♣ ¤ □	387	-1.1	3.15	Jun Dec	138.8	15.11	4845
Warrants		206	-1.4	–	–	3.78	–	5802
Pacific Assets	♣ □	507	-2.7	1.2	Apr	108.4	15.3	3585
Warrants		415	-2.6	–	–	13.5	–	3586
Pac Horizon	♣ □	43	—	0.14	Jan	17.8	14.12	5287
Warrants	□	7	-6.7	–	–	0.57	–	5288
Pantheon Intl	♣ N	198	—	0.5	Nov	32.2	18.10	4987
Warrants		90	-3.6	–	–	5.49	–	3857
Cv Ln '95/97		83	—	–	–	0.14	–	3858
Paribas French	□	134½	—	1.8	May	40.4	15.3	3588
Perpetual Japan	□	114	—	–	–	68.4	–	2781
Warrants	□	73	-2.7	–	–	5.33	–	–
Personal Assets	†	292½	—	180.0	Nov May	14.1	18.10	3842
Pilot Inv	Z □	147	—	6.5	Dec	73.8	29.11	1640
Warrants	□	57	—	–	–	8.76	12.11	1652
C	□	110	—	–	–	16.9	–	3784
Primadona		271	—	4.6	Oct Mar	12.2	6.9	3721
Pacmigon Intl	□	248	0.8	0.82	Apr	7.38	28.2	2419
Warrants		87	-1.1	–	–	0.52	–	2402
RIT Capital	□	176	—	1.15	Jul	317.5	7.6	5177
2½pc Cv Ln 2000		£175xd		0.602½%	Mar Sep	58.7	14.2	5178
Radiotrust	□	86	—	–	–	7.31	–	4861
Rights & Iss Inc		185xd	—	8.7	Sep Mar	3.91	28.2	3825
Cap		406xd	-1.7	8.16	Jan Mar	7.54	28.2	4985
Riv & Merc Am Inc		116	—	7.8	MyAuNvFb	8.70	13.12	4863
Cap	□	34	—	–	–	12.8	–	4862
Warrants		16	—	–	–	1.12	–	4864
Riv & Mer Ext	N □	139	—	7.58	DeMrJeSe	61.7	31.1	5392
Warrants		48	10.3	–	–	2.58	–	5391
Zero Div Pf		116½	0.4	–	–	11.8	–	2543
Riv & Mer Geared		99xd	1.1	7.53	SeDeMrJe	13.3	28.2	3834
Prfd Cap 1999		27	-1.8	–	–	9.45	–	3833
Riv & Merc Smlr	N □	150xd	-.7	4.0	Mar Oct	37.7	28.2	2080
Warrants		80	-1.6	–	–	2.92	–	3117
Riv & Merc Tst Inc	N □	116xd	-.9	8.2	JaOcJeAp	23.1	28.2	3828
Cap	□	136	—	–	–	52.3	–	3827
Warrants		32	-2.9	–	–	1.99	–	3826
Do. Stppd Prf	N	158	-.3	6.62	Oct Apr	19.6	20.9	–

LEISURE & HOTELS - Cont.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£22¾	31.9	Q378c	♦	Oct Apr	22.3	–
Barlow		947	4.6	Q173c	1.7	Jan Jul	13.12	–
Gold Fields SA R		£14¼	2.3	Q280c	1.5	Mar Sep	31.1	2717
MK Props	s	98	2.3	Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♥	348	3.3	Q78c	–	Oct	23.8	3919
SA Brews		£13⅜	9.5	Q139c	2.2	Dec Jun	13.12	4113
Tiger Oats		913	10.2	Q82c	2.9	Jan Feb	29.11	–
Tongaat-Hulett	†	683	15.8	Q75c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
Φ Figures or report awaited
♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1994
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Figures based on IMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Kleinwort Euro Prvtn Ord & Wts, Pantheon Intl Wts & Cv Ln, Taiwan Inv Ord & Wrts (Inv Tsts), Com-Tek (Oil Explm), Energy Capital Ord & Wrts (Other Fincl), Parkside Intl (Paper, Pntg) and Computerised Fncl Sltns (Support Servs). Deletions: Aztec Explm and Mount Martin Gold (Extrative Inds).

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4 pm close March 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
16 5/8	11 1/2	AAR	0.48	2.9	545	63	u16 5/8	16 1/2	16 5/8	+1/8
29 3/8	12 3/4	A L Labs A	0.18	1.1	37	378	16 3/8	16 1/8	16 1/8	
67 1/4	54 5/8	AMP	1.68	2.6	22	681	64 3/4	64 3/8	64 5/8	
72 3/4	55 1/2	AMR			30	2870	62 1/4	60 3/4	62 1/8	+3/4
5	1 3/4	ARX			16	309	4 3/4	4 5/8	4 3/4	
56 1/8	29 7/8	ASA	2.00	4.4	29	1498	46 3/4	45	45 1/8	-1 1/2
30 3/4	22 5/8	Abbott	0.76	2.7	16	6654	28 1/4	27 3/4	28 1/8	+1/8
13 3/8	8 1/4	Abitibi Pr	0.50	3.8	8	2	u13 3/8	13 1/4	13 1/4	-1/8
15 3/8	8 3/4	Acptncein			21	21	11 5/8	11 1/4	11 5/8	+1/4
36	25 1/2	ACE Ltd	0.40	1.5	4	228	26 1/2	26	26 1/8	-3/8
12 5/8	10 3/4	ACM Gvt In x	1.09	9.4		86	11 3/4	11 5/8	11 5/8	
10 1/8	8 3/4	ACM GvOpp x	0.80	8.7		34	9 1/4	9 1/8	9 1/8	-1/8
10 5/8	8 3/4	ACM Gvt Sp x	0.96	10.2		206	9 3/8	9 1/4	9 3/8	
12 1/4	10 1/2	ACM Gvt Se x	1.09	10.2		362	10 3/4	10 5/8	10 3/4	+1/4
12 1/4	9 5/8	ACM Man x	1.08	10.4		326	10 3/8	10 1/4	10 3/8	-1/8
9 3/8	8 5/8	ACM Managd x	0.72	8.1		192	8 7/8	8 3/4	8 7/8	+1/8
12 7/8	7 3/4	AcmeCly	0.44	4.7	11	64	9 3/4	9 3/8	9 3/8	-1/8
11 3/8	6 3/8	Acme Elect			34	137	8 1/8	7 7/8	8	
28 1/8	18 3/8	Acordia x	0.60	2.2	14	z100	27 3/4	27 3/4	27 3/4	
9 1/4	6 1/8	Actava x	0.36	5.4	2	240	6 3/4	6 1/2	6 5/8	+.37
16	10 3/8	Acuson			94	304	12 1/4	12	12 1/4	+1/4
21 3/4	17 3/8	Adams Expr	0.36	2.0	0	120	17 5/8	d17 3/8	17 5/8	+1/8
66 1/4	45 1/2	Ad Micro	3.00	5.1		2374	59 3/4	58 1/8	58 5/8	-1 3/8
32 3/4	16 3/4	AdvMic	3.00	10.6	12	65345	29	28	28 1/4	-3/4
8 1/8	5 1/2	Advest Grp	0.16	2.4	10	47	6 5/8	6 1/2	6 5/8	+1/8
24 3/4	14 1/4	Advo Inc	0.10	0.5	125	41	19	18 3/4	18 3/4	-1/8
58 1/2	41 1/8	Aegon ADR	1.23	2.4	11	5	51 1/8	51	51	-3/4
66 1/4	43 3/8	Aetna L	2.76	4.8	10	3115	57 7/8	56 1/2	57 3/8	-3/4
34	24 3/4	Aflac	0.40	1.3	12	1783	30	29 3/4	29 7/8	-1/8
22 1/8	16 3/8	Ahmanson	0.88	5.1	11	2857	17 3/8	16 7/8	17 1/8	+1/4
7 3/4	1 3/8	Aileen Inc			3	73	2 3/4	2 1/2	2 3/4	+1/8
49 3/8	37 1/2	AirPrC	0.92	2.0	25	936	46 3/8	45 7/8	46 1/4	-1/8
39 7/8	18 1/8	Airbse Frt	0.30	0.8	22	2529	37 7/8	36 5/8	36 7/8	-1 1/8

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4 pm close March 11

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close March 11

AMEX COMPOSITE PRICES

4 pm close March 11

FT GUIDE TO THE WEEK

14 MONDAY

G7 targets unemployment

Finance and employment ministers from the G7 top industrial nations are joined in Detroit by European Union social affairs commissioner Padraig Flyn for a jobs summit. The gathering, called by US president Bill Clinton (above), is the first of its kind specifically to address employment issues. The US is likely to press European countries to cut interest rates.

US-Russian relations: Warren Christopher, US secretary of state at *the end of his 10-day Asian trip, meets* Andrei Kozyrev, Russian foreign minister, in Vladivostock.

They are likely to discuss Bosnia and the timetable of Russian troop withdrawals from Latvia and Estonia, as well as co-operation in peacemaking efforts in the Middle East and fall-out from the recent arrest of an alleged Russian spy in the CIA.

World environment: Negotiations on the restructuring and replenishment of the Global Environment Facility will resume in Geneva *(to Mar 16)*. The objective is to tie up the $2bn replenishment package and set up the Facility as the financial mechanism for administering the 1992 global environmental conventions.

European transport: The Second Pan-European Transport Conference, organised by the European Parliament and the European Commission, takes place on Crete, Greece. It will explore ways to develop a pan-European transport network, involving the many new countries that have emerged since the first conference in 1991.

Euro Disney, the hard-pressed theme park near Paris, holds its annual general meeting, which is expected to be stormy. Its shares stand at a third of their value a year ago.

India's prime minister, P.V. Narasimha Rao, on an official visit to Britain, meets Prime Minister John Major and Foreign Secretary Douglas Hurd in Downing Street. Talks will focus on the improving relations between the two countries, Indian economic reform and British investment in India. India's dispute over Kashmir with neighbouring Pakistan will also be aired.

Commonwealth Day: The Queen starts the Commonwealth Games Relay Message from Buckingham Palace then attends Commonwealth Day Observance at Westminster Abbey.

Holidays: Much of the Moslem world celebrates the two-day festival of Eid al-Fitr.

15 TUESDAY

EU enlargement crisis

European Union foreign ministers hold an emergency meeting in Brussels to discuss the enlargement crisis. The ostensible purpose is to try to hammer out an agreement on Norwegian entry to the Union, mainly a matter of settling fish quotas. However, the issue of admitting the four Efta applicants has raised the contentious question of the distribution of power in an enlarged Union.

The dispute centres on national veto rights. While most member-states support a rise in the blocking minority in the council of ministers from 23 population-weighted votes out of 76 to 27 out of 90, the UK, backed by Spain, is opposing this move. The whole process of enlargement is at risk.

US producer prices index: *Markets will be watching this indicator* – and Wednesday's consumer prices index – for signs of inflationary pressures. If the figures turn out higher than the consensus forecasts, they will trigger fears that the Federal Reserve may increase interest rates again.

Romania's government has said it will introduce a new minimum wage of Lei58,000 (US$37) a month from today, well below the Lei78,000-92,000 (US$50-59) demanded by trade unions. The unions are threatening further strike action if the government fails to come up with a better offer.

Waste at sea: Japan, Russia and South Korea are to begin a survey on the effects of nuclear waste dumped in the Sea of Japan.

Finland's prime minister Esko Aho begins a two-day visit to Estonia, where he will hold talks with his opposite number Mart Laar.

Illinois primaries:

Illinois holds gubernatorial and congressional primaries. National attention has been focused on the struggles of Democratic representative Dan Rostenkowski (left) to win a further term, while undergoing a federal ethics investigation.

World Aviation, Education and Safety congress opens in Bombay (to Mar 18).

Italian elections: The Pope is to pray for Italy ahead of next week's general elections.

Norway's National Gallery has been given until today to ransom the stolen painting The Scream by Edvard Munch. Following its theft last month, a demand for $1m has been received.

16 WEDNESDAY

UK economy in focus

Figures for UK unemployment in February are expected to show a fall, after the surprise 15,500 rise in January. Analysts predict a seasonally adjusted drop of around 20,000. A further rise would prompt serious doubts about the health of the UK recovery.

With April's tax increases looming on the horizon, the markets will also pay close attention to data on February's retail sales for evidence of consumer confidence. The consensus is for a 0.2 per cent month-on-month increase, making the annual rise 3.1 per cent, but recent retail sales data have shown a tendency to surprise.

Thatcher in Brazil:

Lady Thatcher (left), the former British prime minister begins a visit to Brazil as guest of Banco Garantia (to Mar 19). Her trip is sandwiched between the recent tour of bankers and industrialists led by Michael Portillo, chief secretary to the treasury, and the arrival of Douglas Hurd, the UK foreign minister, in April.

British exports to Brazil nearly doubled last year. Lady Thatcher will be preaching the virtues of privatisation.

Thailand's prime minister Chuan Leekpai begins an official visit to Vietnam (to Mar 19). Vietnam's expressed desire to join the Association of South East Asian Nations will be on the agenda, ahead of a meeting of Asean foreign ministers in Bangkok, the Thai capital, in July.

Stena Line, part of Sweden's diversified Stena Group, holds an extraordinary general meeting in Gothenburg to secure the go-ahead for a rights issue to finance two ferries.

CeBIT, Europe's largest computer and communications show, opens in Hanover. The exhibition fills every hall in Hanover's vast showgrounds and is depicted as a shop window for European information technology. A traditional launching pad for new products, this year the list includes Texas Instrument's superfast multimedia chip, partly designed in the company's UK laboratories.

FT Survey: Information and Communications Technology.

Football: European Cup Champions' league group matches. In Group A, Barcelona (Spain) play Spartak Moscow (Russia) and Galatasaray (Turkey) play Monaco (France). In Group B, Werder Bremen (Germany) plays AC Milan (Italy) and FC Porto (Portugal) plays Anderlecht (Belgium).

Holidays: Indonesia and Malaysia (markets closed).

17 THURSDAY

Partners in peace

US defence secretary William Perry starts a trip to Russia, Kazakhstan, Ukraine and Belarus. He will discuss military and other ties with the former Soviet republics.

The proposed links are to include regular meetings between military and defence officials, training with the US armed forces, and technical assistance.

Bundesbank meeting: The policy-making council of the German central bank holds its regular fortnightly meeting, amid regular speculation as to whether it will reduce interest rates again.

Sky wars: US transport secretary Federico Pena is due to say whether he will approve extension of a "code-sharing" arrangement between the UK's British Airways and USAir. Under the code-sharing deal, which lapses today, the two airlines market each other's flights under the same ticketing code, making it easier for them to feed passengers to each other.

The Clinton administration is threatening to scrap the agreement unless US airlines secure greater access to British airports, especially Heathrow.

Macedonia's president, Kiro Gligorov, holds talks in Bonn with German foreign minister Klaus Kinkel. President Gligorov will be hoping for Germany to put pressure on Greece to scrap its embargo on the fledgling *former* Yugoslav *republic. Last week,* Greece allowed a train of fuel tanker trucks to cross into its neighbour.

French protest: Unions have called a national protest against plans to allow employers to take on the young unemployed at 80 per cent of the minimum wage. A quarter of those under 25 are out of work.

Wartime collaborator Paul Touvier goes on trial in Versailles, France, on charges of crimes against humanity for picking Jewish hostages for execution by the Nazis during the second world war.

St Patrick's Day:

Holiday in all parts of Ireland in honour of the patron saint. In London, the Queen Mother presents shamrock to Irish Guards. In the US, Irish premier Albert Reynolds is guest of honour at a dinner given by President Bill Clinton at the White House.

Cricket: Second test match between England and the West Indies begins in Georgetown, Guyana (to Mar 23). Also, the second test between South Africa and Australia begins in Cape Town (to March 21).

The Tote Gold Cup, one of the leading events of Britain's National Hunt horse-racing season, is run at Cheltenham.

While Gerry Adams of Sinn Fein seeks clarification, the IRA campaign of violence continues

18 FRIDAY

Apec gathering in Honolulu

Finance ministers of the member countries of the Asia Pacific Economic Co-operation forum meet in Honolulu. The gathering is modelled after the regular meetings of finance ministers of the G7 industrial countries.

John Hume, a member of the British *Parliament from* Northern Ireland, is to address the US National Press Club in Washington.

Cuba in focus: Anticipating the New Cuba, a conference sponsored by the World Economic Development Congress, begins in New York.

Spain's ruling socialist workers' party begins its 33rd congress (to Mar 20). Against a background of recession, high unemployment and falling popularity, the differences between the pragmatic, market-orientated government and leftwing elements in the unions may come to the fore.

Science week: Britain begins a National Week of Science, Engineering and Technology. It is intended as a "celebration and an illumination of science and technology".

FT Surveys: Poland, Scotland

19-20 WEEKEND

Hosokawa visits China

Japan's prime minister Morihiro Hosokawa begins a two-day official visit to China on Saturday. He is expected to meet premier Li Peng and will be seeking to improve trade and diplomatic ties with Japan's second largest trading partner.

Five Nations rugby: England play Wales in London and Scotland play France in Edinburgh on Saturday.

Sunday sees a spate of elections.

Tunisia holds presidential and parliamentary elections.

El Salvadoreans vote for a president, vice-president, a National Assembly and a full slate of mayors.

Argentinians choose delegates for a constitutional assembly to consider allowing President Carlos Menem to run for a second term in 1995 and continue his economic reforms.

Schleswig-Holstein, Germany's northernmost state, holds local government elections.

French local elections (first round).

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: February's producer price figures in the UK will be scanned for signs of inflationary pressures. Although the month-on-month increase is likely to be 0.3 per cent, the annual rise is expected to drop to 3.5 per cent from January's 3.7 per cent.

Tuesday: The Confederation of British Industry's distributive trades survey will be a prelude to the following day's retail sales figures. The two do not always show the same picture: last month, the CBI said the balance of retailers reporting an increase in sales was the lowest for 12 months, while retail sales rose 0.6 per cent.

Wednesday: UK average earnings figures, published alongside the unemployment statistics, are expected to show an increase in the year to January of 3 per cent. It has remained at this rate for several months. The public sector borrowing requirement is normally large at the end of the tax year. February's total is expected to be £6.7bn, but the total for the financial year is still expected to undershoot the forecast £50bn.

Friday: February's sterling M4 lending may have picked up to £1.8bn, from January's extremely low £100m.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Jan business inventories	0.2%	0.0%
March 14	Japan	Feb WPI**	-3.1%	-3.1%
	UK	Feb PPI input**	-3.1%	-2.6%
		Feb PPI output**	3.5%	3.7%
	Sweden	Feb unemployment	8.8%	8.6%
	Norway	Feb trade (exc. ships)	$4.2bn	$4.6bn
Tue	US	Feb PPI	0.3%	0.2%
March 15		Feb industrial production	0.2%	0.5%
		4th quarter current account		-$28bn
	Japan	Feb trade balance	$11.6bn	$6.1bn
	Finland	Feb CPI**	0.2%	0.2%
		Jan industrial production**		10.1%
Wed	US	Feb CPI	0.3%	0.0%
March 16		Feb housing starts	1.32m	1.29m
		Feb real earnings		1.5%
	UK	Feb retail sales**	3.1%	3.5%
		Feb PSBR	£6.7bn	-£1.6bn
		Feb unemployment	-20,000	15,500
		Jan average earnings	3.0%	3.0%
	Australia	Fourth quarter GDP	1.8%	0.4%
		Jan manufact prices output**		1.1%
		Housing starts		3.1%
	Canada	Jan manufact new orders*	0.0%	6.2%
Thu	US	Initial claims w/e March 12	345,000	348,000
March 17		Money supply figures w/e March 7		
Thu	Japan	Feb money supply		
Mar 17		Jan industrial production		-1.9%
(cont)	Sweden	Feb CPI**	1.8%	1.9%
	Canada	Feb CPI**	0.5%	1.3%
Fri	UK	Feb money supply figures		
Mar 18		Lending	£1.8bn	£200m
	Sweden	Feb trade balance		$8.3bn
During this week...				
	Japan	Fourth quarter GDP-SAAR	-3.4%	2.0%
	Germany	Jan retail sales real**	0.0%	-6.0%
		Feb WPI*	0.2%	0.6%
	Italy	Dec EC trade balance	L1.5tr	L0.8tr
		Jan industrial production*	0.4%	0.9%
		Jan PPI**	3.7%	3.7%
	France	Jan M3	0.6%	-1.5%
	Spain	Feb M4 annualised*	6.0%	5.3%
		Jan trade balance-PTA	Ptas-240bn	Ptas-222bn
		Feb unemployment rate	18.2%	18.3%
		Jan PPI**	3.5%	3.3%
	Neth	Feb CPI**	2.1%	2.4%
		Feb unemployment	7.5%	7.5%
	Denmark	Feb CPI**	1.9%	1.8%
	Finland	Feb unemployment		21.7%
	Belgium	Dec industrial production**		-7.2%

*month on month, **year on year

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

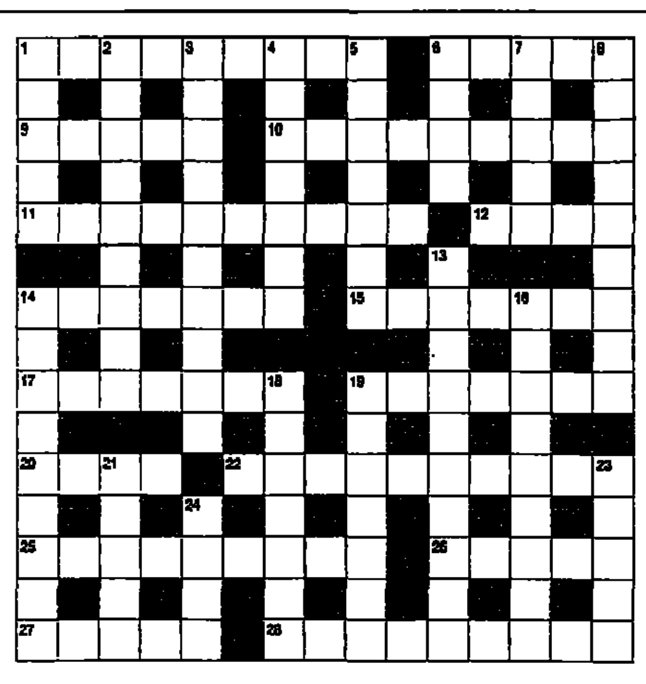
No.8,403 Set by ADAMANT

ACROSS

1 Make the connection, my friend (9)
6 Spotlight the diplomats caught by America (5)
9 Sailors having a party on front deck (5)
10 Furnish with material which will raise the case (9)
11 In a single column feature in May or June about oil spill over Guernsey (10)
12 Avoid direct light outside hospital (4)
14 The SAS look round for protection against the elements (7)
15 Last word on a sound bargain (7)
17 End of the road for an inexperienced Romeo (3,4)
19 Lock away integral missing article (7)
20 Fog at the motorway's junction (4)
22 Shows the wrong way to gain straight access to the schoolma'am (10)
25 Experimental housing for a Peronista comeback (9)
26 Put a stop to it (5)
27 Shrink from the stockman? (5)
28 Communist worker and German insert are not wanted (9)

DOWN

1 A Liberal member could cause concern (5)
2 The blackguard closed National Union of Railwaymen's operation (9)
3 Final trick from Clive took us in (10)
4 Leaning against a water tank with Vice-President Gore (7)
5 Relaying other people's views (7)
6 More beard to have lost their footing (4)
7 Get hold of the tune (5)
8 Tight circle in second marquee (9)
13 Hood, somewhat corpulent, produced a circular (5,5)
14 The magic part could be based on fact (9)
16 Battle gear – it's capital! (9)
18 Wetter prince (7)
19 Russian leader is traditionally fiery tempered (7)
21 Is coming up with fresh strength (5)
23 Exhausted writer, way out (5)
24 Young salmon for Catherine (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 24, marked Monday Crossword 8,403 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 28.

Name....................

Address....................

....

Winners 8,391

Alexandra Thomas, Wokingham, Berkshire
J.F. Chamberlain, Appleton Roebuck, N. Yorks
K. Fenn, Baswich, Stafford
G.M. Kent, Caterham, Surrey
T.L. Richardson, London SW1
Mrs J. Roberts, Brighton, Sussex

Solution 8,391